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The Indeterminate Permit

in Relation to Home Rule and Municipal Ownership

BY

Delos F. Wilcox, Ph. D.

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PUBLIC OWNERSHIP LEAGUE OF AMERICA
CHICAGO, 1926

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CONTENTS

CHAPTER PAGE

I. TYPES OF INDETERMINATE PERMIT . 5
- The Nomenclature 5
- Terminable without purchase 5
- The Wisconsin Type terminable with purchase . 5
- Indeterminate within maximum time limit . . 6
- The Wisconsin Corollaries 6

II. PURPOSE OF THE INDETERMINATE PERMIT 8
- Objections to the perpetual franchise 8
- Difficulties of regulation under perpetual franchise 8
- Objections to the limited-term franchise . . . 9
- Theoretical advantages of the indeterminate permit 9

III. SUMMARY OF INDETERMINATE PERMIT LAWS AND EXPERIENCE . 11
- 1. **District of Columbia and Insular Possessions** 11
  - Right to amend or repeal reserved in Congressional grants 11
  - Porto Rico and the Philippines 12
- 2. **Massachusetts** 12
  - Street railway locations revocable 12
  - Revocation by local authorities made subject to state approval 13
  - Massachusetts committee did not recommend state control 14
  - Indeterminate feature of service at cost contract in Boston 15
  - Eastern Massachusetts state control contract 15
  - General service at cost law 15
  - Judicial interpretation of power to revoke locations , ... 16
- 3. **Wisconsin** 16
  - Indeterminate permit policy adopted in 1907 16
  - Made compulsory in 1911 17
  - Allen Riley Foote's analysis of the Wisconsin plan 18
  - Three chairmen who went into utility service 19
  - Roemer on the indeterminate permit in 1911 20
  - Roemer at Mobile in 1914 20
  - The indeterminate permit and its corollaries . 21
  - Extent of municipal control in Wisconsin . 22
  - Extent of voluntary acceptance of indeterminate permit 23
  - Mortimer's explanation 24
  - Comments of Minnesota Home Rule League 24
  - Commissioner Erickson's defense 25
  - Arguments against other types of franchise . 26
  - Erickson on municipal control in Wisconsin 27

CONTENTS

CHAPTER PAGE

Monopoly not absolute 27
Indeterminate permit not designed to further or hinder municipal ownership 28
Erickson concedes licensee purchase amendment 28
Public protection under indeterminate permit 29
Advantages to the investor 29
The Superior Water Works case in the United States Supreme Court 30
Carl Jackson's presidential address 32
National Association of Commissioners approves indeterminate permit 33
List of Wisconsin utilities purchased under indeterminate permit law 34
Litigation in Racine Water Works case . . 35

4. **Indiana** 36
Provisions of public utilities law of 1913 . 36
Extent of voluntary surrender of old franchises 37
Status of utility franchises if law is repealed 37
The right of municipal ownership 37
Chairman Duncan's plain statement . . . 37

5. **Minnesota** 38
Telephone franchises indeterminate 38
Indeterminate permit under street railway control act 39
Power to amend or repeal reserved 40
Companies abandon the law for the federal courts 40
The Minneapolis gas franchise 40

6. **Ohio** 38
The Tayler plan in Cleveland 41
Optional indeterminate permit act applicable to Rogers law cities 41
Everything subject to agreement 42
Service at cost street railway franchises in Cincinnati 43
Service at cost in Youngstown 43
Amortization and termination by lease in Toledo 44

7. **California** 41
The resettlement franchise law 45
The indeterminate permit in the Los Angeles charter 46
Indeterminate permit in Oakland, Berkeley other city charters 49

8. **Louisiana** 45
Indeterminate permit law applicable to New Orleans 50

9. **Oklahoma** 50
Revocable permit law of 1925 50
Revocation by the legislature 51

10. **Colorado** 50
Municipality's right to purchase 52

11. **New York City** 52
Right to

CONTENTS

CHAPTER PAGE

13. **Kansas City, Missouri** 54
Terminable permit provisions of the new charter 54

14. **Michigan** 54
Day to day agreements in Detroit 55
Indeterminate feature of Grand Rapids street railway franchise 55

15. **Dallas, Texas** 56
Service at cost franchises indeterminate . . 56

16. **Des Moines, Iowa** 56
Street Railway grants subject to termination 56

17. **Chicago and Illinois** 57
Indeterminate franchise theory approved in 1920 57
Conditions of termination of 1907 settlement ordinances 57
The Chicago traction fund 57
Terms of the Bar bill 57

IV. ADVANTAGES TO THE UTILITIES OF THE INDETERMINATE PERMIT . 59
Stability 59
Flexibility 59
Monopoly 60
Freedom for development 60

V. GUARANTIES OF GOOD BEHAVIOR . . 62
Why guaranties are necessary 62
Publicity of accounts 62
Continuing power of regulation 63
The right to terminate the grant by purchase . 64

VI. WHERE PUBLICITY OF ACCOUNTS HAS BROKEN DOWN 65
Facts reported must be understandable and pertinent 65
Consolidation of areas in one operating unit . 65
Confusion created by holding and management companies 66

VII. WHERE STATE REGULATION HAS BROKEN DOWN 68
Ultimate dependence upon public control . . 68
Compulsion applied to vast interests 68
Breakdown of regulation 69

1. Commission's statutory powers limited . . . 69
No control over interstate activities and holding companies 70

2. Regulation more difficult than operation . . 71

3. Too many to be regulated 72

4. Utility politics in commission regulation . . 73
Rewards offered by utilities for technical service 73
An illustration from Minneapolis 74
The roll of honor at the counsel table . . . 75

5. Jughadled jurisdiction of the federal courts . 75
An illustration from Minnesota 76
The companies fly to their haven of refuge . . 77

CONTENTS

CHAPTER

VIII. WHERE THE RIGHT TO TERMINATE THE PERMIT BREAKS DOWN

The right of termination is vital 8
Effect of public hostility to municipal ownership 8
Right of termination ineffective if merely formal 8
Milwaukee unable to achieve municipal ownership notwithstanding the indeterminate permit 8
Financial obstacles to municipal ownership in Illinois 83
The Dever traction plan in 1925 84
Terminable permit a fraud where power to terminate is lacking 85
Importance of local control as training school for municipal ownership 85
Devices to confer financial ability on cities 85

IX. LEGAL STATUS OF MUNICIPAL OWNERSHIP AND HOME RULE IN ILLINOIS 87

Constitutional limitations 87
The municipal ownership law 87
Accounting in municipal utilities 88
The public utilities law and home rule 89
Municipal ownership fully recognized in theory 89
Municipal home rule thru municipal ownership 90
91

X. AMORTIZATION OF THE PURCHASE PRICE UNDER THE TERMINABLE PERMIT 92

Details cannot be put in general law 92
Amortization under private and public ownership distinguished 92
Possibilities of street railway amortization 92
Amortization plan effective if mandatory and liberal 93
93

APPENDIX A. THE CHICAGO TRACTION FUND AND THE POSSIBILITIES OF AMORTIZATION OUT OF EARNINGS 95

Table I. Traction Fund 96
Table II. Chicago Traction Fund accumulated at 5% interest and used for amortization of capital 98

INTRODUCTION

WHETHER a device of government is good or bad depends largely on how it is used. In 1907 when the indeterminate franchise or permit, in its present characteristic form, was a new invention, Allen Ripley Foote, praising it, defined it as "an exclusive and perpetual franchise to be enjoyed during good behavior only." And public spirited men looking for an escape from the oppression of perpetual franchises and the corruption of term franchises hailed it simply as "a tenure during good behaior." Since then a change has come over the spirit of our dreams. The indeterminate permit, where it has been used on a large scale, has proven to be perpetual and exclusive, but not altogether dependent upon the good behavior of its owners. Where it has been drafted in such form as to give substantial guaranties of good behavior, the utilities do not care for it.

The Wisconsin form of indeterminate permit, which has come to be recognized as the standard type, depends for its effective persuasions to good dehavior upon one of two things: either, the effective exercise of the power of state regulation under private ownership, or the effective power of the municipality to acquire the property and operate it as a municipal enterprise.

In the author's opinion state regulation as an exclusive or dominant policy has broken down. Its inherent weaknesses under our system of jurisprudence are fatal to its effectiveness for the full protection of the public interests. The proper functioning of utilities as cooperative urban services, intimately related to the essential functions of municipal government, depends upon a virile and continuous local control. But local control, under private ownership, is subject to a fundamental infirmity which it has in common with state regulation, namely, the paralyzing influence of the jughandled jurisdiction of the Federal courts. These courts can do nothing for the cities or for the consumers; their jurisdiction is obtained solely for the purpose of protecting the companies. It follows that the road to utility service in the best sense of that term is through Municipal Home Rule, and the road to Municipal Home Rule is through public ownership. The next question is, what is the road to public ownership? The friends of the indeterminate permit point to its provisions and say that it enables a city to take over the utilities whenever it wants to. But there's a rub! Unless the city has the legal power to raise the money required to pay for the utilities, the effective credit to do so, and the educated will for initiative and self-reliance, the mere words that declare an indeterminate permit terminable are meaningless. So far as this type of franchise is linked to state control, it tends to unfit cities for municipal operation by shutting them out of the picture while private operation continues. And the indeterminate permit in its characteristic form does not remove the financial limitations placed by constitution and statute upon the city's borrowing and taxing powers, and does not affirmatively confer financial powers upon the municipality.

The danger that lies in terminable permit legislation such as has been proposed in Illinois is in the fact that it would give the utilities an indefinite lease of life without requiring them ever to come back to the municipality for an accounting of their stewardship, and without giving the municipality any effective power to cut their

lease of life short. Under the indeterminate permit, the companies are in and their good or ill behavior has little or nothing to do with it.

The indeterminate permit adopted as a means to avoid public ownership effective; but in its usual form it is a delusion and a snare as an opening of to public ownership. It opens the door a little, but puts something big a behind it so that public ownership cannot squeeze through. In its typ the indeterminate permit relieves a company of its worries and leaves the WITH theirs.

In the author's opinion, these general conclusions will be amply demon the facts set forth and the analysis developed in the pages of this report.

DELOS F. WI

Grand Rapids, Michigan, June 29, 1926.

THE INDETERMINATE PERMIT IN RELATION TO HOME RULE AND MUNICIPAL OWNERSHIP

Chapter I—Types of Indeterminate Permit

The Nomenclature.—The indeterminate franchise is a form of grant that seeks to avoid the disadvantages to the public inherent in perpetual franchises and the disadvantages to the utility corporations inherent in limited term, particularly in short term, grants. This general type of franchise is known as the "indeterminate permit" in the public utility laws of Wisconsin, Indiana and Minnesota; it is the "terminable permit" in the charter of Kansas City and in the legislation proposed in 1925 for the State of Illinois; elsewhere it is known by a considerable variety of names such as "revocable permit," "revocable license," "revocable grant," "indefinite term grant," "resettlement franchise granted for an indeterminate period," "indeterminate franchise," and "tenure during good behavior." The most commonly used and authoritative term is the "indeterminate permit."

Terminable Without Purchase.—Several variations of this type of franchise have developed in legislation and contracts relating to public utilities. In its simplest form the indeterminate permit is a franchise which may be terminated or revoked at pleasure by the granting authority, without any obligation to compensate the grantee for the injury or destruction of its property or business resulting from such revocation. The franchises granted by Congress in the District of Columbia, and those granted under the civil government acts for Porto Rico and the Philippine Islands are grants of this nature. A somewhat modified type of permit is that which prevails in the State of Massachusetts with respect to street railways. For a great many years street railway "locations" in Massachusetts were granted by the local authorities and were subject to revocation by them at pleasure, but the law was changed, first with respect to the street railways of Boston and vicinity and later with respect to all street railways of the commonwealth, so that now and for many years back it has been the law in Massachusetts that, if the local authorities seek to revoke a street railway location, unless the revocation is accepted by the company, it will not go into effect until approved by the state utilities commission. This modification of the original Massachusetts plan was recommended in 1898 by a special committee of the legislature under the chairmanship of Charles Francis Adams, not for the purpose of protecting the street railway companies from arbitrary and unjust treatment at the hands of the local authorities, but for the purpose of preventing the public interest of neighboring municipalities from suffering as a result of a purely local quarrel between the municipal authorities of a particular town and the company rendering street railway service there. The committee found that in almost every case continuous street railway service was rendered by the same company in more than one municipality so that the revocation of a franchise and the stoppage of street railway service in a particular town might seriously interfere with the convenience of neighboring towns dependent upon the same street railway company. Since then the Massachusetts public utilities law has been

stablishment of protected monopoly in operation.

lonment of regulation by contract means that the franchise will
a detailed document in which one party is given certain clearly
ileges to be exercised only upon terms and conditions elaborate-
for the protection of the grantor. On the contrary, the franchise
mere permit admitting the grantee to the streets of the munici-
nder a particular kind of utility service, with all of the conditions
on subject to control by public authority in the exercise of the
ver within constitutional limits. This leaves the municipality
to embody terms and conditions in the franchise which it will be
force in court, and leaves every act of regulation or control which
ttempted by public authority subject to review by the federal
henever the company claims that its constitutional rights have been

ansfer of regulatory authority from municipalities to state com-
s has the effect of divesting the municipality of all effective control
e public utilities rendering service within the municipality and using
lic streets for that purpose.

establishment of guaranteed monopoly in operation prevents the mu-
ity from seeking an improvement in service or a reduction in rates
ans of competition and, under the Wisconsin law, prevents the muni-
y from itself establishing a municipal plant and rendering service
or strictly municipal purposes without first acquiring the existing util-
nt, unless the municipality is able to persuade the state commission
public convenience and necessity require the establishment of a com-
g utility plant. The effect of this corollary of the indeterminate per-
s to put the state squarely behind the policy of monopoly in utility
ation and to lay upon the municipality a heavy burden of proof to con-
e the state commission that in a particular case an exception to the
eral policy should be made. The commission's authority in the matter
g in the main discretionary, the municipality can make no effective ap-
l from its decision.

Chapter II—Purpose of the Indeterminate Permit

Objections to the Perpetual Franchise.—From the public point of view the objections to the old style perpetual franchise are serious, and even from the point of view of the utility companies the perpetual franchise may prove to be a handicap by reason of its termination. It refers to over-capitalization and speculative manipulation of securities. From the public point of view it seems intolerable that a private concern, even though engaged in a necessary public service, should have the right to occupy the streets of the city with its permanent fixtures in perpetuity, thus depriving the city to a great extent of the right to control the uses of its streets and to adjust them from time to time as future developments may require. To the extent that the perpetual franchise is issued by way of definite and unchangeable terms and conditions incorporated in the form of a binding contract, obviously it cannot be made to fit the needs of a growing community. To the extent that the perpetual franchise is in the nature of a bare, irrepealable permit without terms and conditions, the protection of the public interest depends upon the possibility of competition or upon the effectiveness of the system of continuous regulation under the police power which may be adopted by the city or the state. In the case of a franchise for an unlimited time, granted beyond recall, the only way in which it can be gotten rid of under the law is through the exercise of the power of eminent domain, and if condemnation proceedings are resorted to the public is compelled to pay, not only the value of the physical property taken, but an indefinite amount representing the value of the perpetual franchise. Thus, under the perpetual franchise the public finds itself in a dilemma. The effort to control utilities through competition has been tried in numberless instances, but the result in almost every case in the long run has been consolidation and a more strongly entrenched monopoly. The alternative of public ownership initiated through condemnation proceedings, where perpetual franchises have to be acquired, is likely to be prohibitive from the standpoint of expense. This leaves the situation substantially dependent upon the effectiveness of control through the exercise of the police power, unaided by contractual guarantees or by discretionary powers incident to the development of general municipal policies.

Difficulties of Regulation Under Perpetual Franchise. From the standpoint of the investors it is quite conceivable that a system of regulation could be adopted vigilant and virile enough to prevent the persons in control of the companies from capitalizing the value of the franchise, or neglecting upkeep and depreciation for the sake of dividends, or doing any of the other bad things which they might be tempted to do under the stimulus of perpetual rights. Experience shows, however, that in vast financial undertakings, where the possibilities of power and profit are great, it is extremely difficult to control them through sheer dependence upon the exercise of governmental authority contrary to the desires and interests of those who are being controlled. It is doubtful whether public regulation can ever be vigilant enough and continuous enough, unaided by motives that appeal to the interest of the management, to control effectively the policies and activities of privately operated utility undertakings. One element of extreme difficulty in regulation under a perpetual franchise, where the utility is subject to control

only through the exercise of the police power, is that the obligation to extend and improve the facilities for service, which is vital from the point of view of the community, can hardly be enforced against a company unless the monopoly character of the utility is definitely recognized. In other words, the power of regulation is in large measure dependent upon public renouncement of the right to invoke competition.

Objections to the Limited Term Franchise. The limited term franchise —and particularly the short term grant—has an inherent tendency to prevent the normal development and expansion of the utility and its facilities for service. Unless the city, in granting such a franchise, assumes the absolute obligation either to renew it at its expiration, or to purchase the property or find another purchaser for it, the grantee is in a position where, theoretically and logically, it must strive to accumulate out of earnings during the period of the franchise, the full amount of its investment less its probable salvage value at the end of the franchise period. Then, the property will still belong to the company, and if, in fact, it can secure the renewal of its franchise, it will be that much ahead. After eating its cake, it will still have it. But under such conditions the company during the latter part of the franchise period is sure to slow down or completely stop the building of extensions, the installation of new facilities, or the substitution of modern equipment for that which is still capable of operation, though obsolete. Also, it is quite sure to neglect maintenance and upkeep as far as it can and still keep things going. These things involve either excessive charges to the public, or inadequate service, or both. If the company, contrary to the theoretical necessity of protecting itself, is unable to amortize its investment during the life of the franchise, or if it concludes to take a chance upon securing a franchise renewal or selling its property at the end of the grant, the uncertainty that enters into its financial status makes the enterprise a speculative one and involves the possibility of serious loss to the investors. This necessarily increases the cost of financing, and often leads to great injustice and hardship where the investors have not fully understood the risks they were taking when they purchased the securities.

From the public point of view, particularly where the community is growing rapidly in population and spreading out over a larger area, the interruption of extensions, additions and betterments for a period of years is a calamity, and the shock given to the governmental organization by periodic struggles over the renewal of franchises where vast interests are at stake, does not conduce to stability and effectiveness in municipal administration.

These difficulties can be eliminated under a limited term franchise if the city in granting the franchise undertakes the absolute obligation to protect the investment at the expiration of the grant, but this involves either an automatic renewal of the franchise which makes it in effect perpetual, or a provision for the transfer of the property without loss to another franchise holder, which is not much different, or a guarantee that the city itself will acquire and pay for the property for public ownership. In actual franchise practice cities have seldom been willing to give any of these absolute guarantees.

Theoretical Advantages of the Indeterminate Permit. The theory of the indeterminate franchise or permit, in the form where it is terminable only upon purchase of the utility's property, is that it establishes conditions under which the utility as a public servant can proceed to do its work most efficiently and most economically. It can proceed to put in new money continuously, or from time to time, whenever the increasing demand for ice calls for an increase in the investment. It can proceed in an e

Chapter III—Summary of Indeterminate Permit Laws and Experience

I. DISTRICT OF COLUMBIA AND INSULAR POSSESSIONS.

Right to Amend or Repeal Reserved in Congressional Grants. In the District of Columbia public utility franchises are granted by direct act of Congress, and it has been the general policy of Congress in making these grants to reserve to itself the unconditional right to amend or repeal them. Before the establishment of the public utilities commission for the District of Columbia, Congress acted like a board of aldermen in drafting franchises and put into them quite detailed and elaborate provisions, including limitations upon the rate of fare. The "Laws relating to Street Railway Franchises in the District of Clumbia", compiled under authority of a resolution of Congress passed March 12, 1896, and recompiled in 1905, is a book of 300 closely printed pages. Most of the laws found in this volume contain the provision that "Congress may, at any time, alter, amend, or repeal this act," or that "this act may be altered, amended, or repealed, by Congress at any time at its discretion," or other words having a similar purport. Calling attention to these provisions of the street railway laws, Mr. E. V. Fisher, executive secretary of the Public Utilities Commission of the District of Columbia, writing under date of December 14, 1925, said:

> "You will notice that each and every law is in reality a terminable permit. This is also true of the Acts granting franchises to the gas companies and other utility companies."

The terms and conditions incorporated in these congressional franchises affecting rates and service have been made subject to the superior jurisdiction of the public utilities commission by the Act of Congress establishing that body. While these franchises are described as terminable permits, and do not even contain a provision for the compensation of the grantees in the event of termination, it is to be observed that the franchises in the first instance are not granted by local authorities responsible to the inhabitants of the District of Columbia, nor can they be revoked by local authorities. Furthermore, the control of the utilities in the District under private ownership has been put in the hands of a commission appointed by the President and in no sense representative of the will of the people living in the District. However, this treatment of the utility problem is not peculiar among the public affairs of the City of Washington, but is typical, of the fact that there is no such thing as municipal home rule in the District of Columbia as it has been governed for a great many years.

Mr. George C. Sikes of Chicago, in an article published in the Atlantic Monthly for March 1903, cited the experience of the City of Washington in his argument for the indeterminate permit. Among other things, he said:

> "Washington secured the underground electric conduit system, not because the managers were any more willing there than in other cities to install it, but because Congress had the reserved power to require among other things the adoption of conduit system. Whatever improvements in service the governing authoriti Washington see fit to require are provided without the parleying and friction mon in cities whose powers of control are not so clearly defined."

Puerto Rico and the Philippines. After the conclusion of the [illegible] to provide for the government [illegible] principle of the [illegible] the civil government [illegible] Puerto Rican civil [illegible] resolution approved [illegible] privileges or concessions [illegible] the same shall be [illegible] use of public [illegible] effective expiration [illegible] the public authorities [illegible] These policies [illegible] March 2, 1917, which is still [illegible]

[illegible] March 2, 1901, also [illegible] thereof shall [illegible] the same." In [illegible] Philippine Islands, it is [illegible] individual, firm or corporation [illegible] amendment, alteration or repeal. [illegible] There are several [illegible] that date back to the Spanish regime.

II. MASSACHUSETTS

Street Railway Locations Revocable. [illegible] street railway franchises granted under the general [illegible] for an indeterminate period, [illegible] location of [illegible] Accordingly, [illegible] the whole matter was [illegible] street railways, [illegible] the assistance of [illegible] Committee [illegible] In discussing [illegible] the committee said:

[illegible]

---

(1) [illegible]
(2) 9 Statutes at [illegible]
eral of Porto Rico, dated April 30, 1926.
(3) Sykes, id. [illegible]
(4) Letter to the writer dated April 28, 1926, from Richard A. [illegible] Secretary to the Governor General [illegible] appointed to investigate the public service laws and rates and [illegible] Chapter 366 of the Acts of 1913.

law, at the same time, reserved to the boards the power to revoke those rights at discretion.

"In theory, such a franchise is to the last degee illogical. It can be compared only to a lease, terminable at will by the lessor, and without provision for the compensation of the lessee. Such a system, if suggested, would naturally be pronounced impracticable, if not absurd, and it would be assumed that private capital would never embark in ventures so lacking in the element of permanence and security. Yet in Massachusetts this has not proven to be the case; nor can it be said that the system has, for the half-century it has been in use, worked otherwise than on the whole satisfactorily."

Then, after pointing out the disadvantages of the term franchise as experienced in Europe, Great Britain and certain American cities, the Committee made this observation:

"There is probably no possible system productive of only good results and in no respect open to criticism; but, in fairness, the Committee found itself forced to conclude that the Massachusetts franchise, which might perhaps not improperly be termed a tenure during good hebavior, would in its practical result compare favorably with any."(1)

Revocation by Local Authorities Made Subject to State Approval. The Committee reached the conclusion from the evidence placed before it at the public hearings that "what the companies desire is a tenure as nearly as possible in perpetuity, with restricted power of revocation only in the hands of the municipalities; what the municipalities desire is to retain, as a weapon convenient to have at hand, the legal power of revocation at will." On the part of the street railway corporations it was alleged before the Committee "that the existing system was defective, mainly through the insufficient protection afforded against the arbitrary revocation of locations, and the constant imposition of new and unjustifiable burdens through the threat of such revocation." The corporations asked for a change in the law so that an appeal would be allowed from the municipal authorities to the Board of Railroad Commissioners in case of a revocation of a street railway location. Such a provision had already been enacted in 1887 applicable to the territory served by the West End street railway system of Boston. The Committee was not much impressed with the arguments of the street railway companies in favor of this change. Upon this point it made the following comment:

"While it is true the revocation of a location may be arbitrarily ordered, not only at a possible serious loss to a railway company, but at no inconsiderable inconvenience to a local public, the local public can generally be trusted in such cases to make its influence felt on its representatives for its own protection. So far as the corporation is concerned, the concessions made to it are general, valuable and unlimited. The corporation might perfectly well have declined to accept the concessions coupled with the power of revocation, and refused to lay its tracks. With a full knowledge of what it was doing, it accepted the location, coupled with the right of revocation; and it is not easy to see on what ground, still holding the location, it can now ask to have the counterbalancing burden of revocation limited, as being liable to abuse, but without being able to instance numerous cases of such abuse, or indeed, to show that the relations between the municipalities and the street railway companies had, on the whole, or indeed in any respect, been less friendly or productive of fewer good results in Massachusetts than elsewhere."(2)

However, the committee was moved to recommend the change which the companies asked for, not because it thought their rights were unduly jeopardized, but because of the possibility that the public interests of one com-

(1) Op. cit. p. 20.
(2) Op. cit. p. 24.

vere authorized to permit the occupation of streets for tram or railway purposes nder provisions of law; but the control of the municipality over them was subected to the least possible interference from without. In passing upon every uestion which may arise this principale of municipal street control also should be clearly kept in mind. That the street railway, like the thoroughfare it partially occupies, has in many instances outgrown municipal limits, and so become an instrument of inter-urban travel and communication, is apparent, and this fact also has to be recognized as introducing new elements into the problem; but the fundamental principle of local control is thereby no more destroyed in the case of the railway than in the case of the street itself."

Indeterminate Feature of Service-at-Cost Contract in Boston. The indeterminate permit policy of the State of Massachusetts pertaining to street railways has been supplemented in the case of the Boston Elevated Railway, the Eastern Massachusetts Railway (Bay State System), and any street railway system coming under the terms of the general service-at-cost act. Under the act providing for the public operation of the Boston Elevated Railway Company (including the West End Street Railway System)(1), the initial term definitely fixed for the continuance of public operation was ten years, but this was accompanied by a provision that public operation should continue indefinitely thereafter "until such time as the commonwealth shall elect to discontinue such public management and operation," and it also provided that the arrangement might be terminated either at the expiration of the ten-year period or at any time thereafter by appropriate legislation passed not less than two years before the date fixed for such termination. It also provided that at any time during the continuance of public operation, the commonwealth or any political subdivision thereof, should have the right to purchase the company's "whole assets, property and franchises as a going concern upon the assumption by the commonwealth of all its outstanding indebtedness and liabilities and the payment of an amount in cash equal to the amount paid in cash by its stockholders for stock then outstanding." Thus the right to terminate the company's franchises as a whole was given to the state upon condition that the company's entire property be acquired at a price approximately representing its original cost new.

The Eastern Massachusetts Street Railway Contract. By another act passed in 1918 (2) provision was made for the reorganization of the Bay State Street Railway Company and the operation of its system for a period of ten years by a Board of Public Trustees appointed by the Governor. In this case at the end of the ten-year period the property will revert to the reorganized company (Eastern Massachusetts Street Railway Company), but at any time during the ten-year period of public control, the right is reserved to the state or to any political subdivision thereof, at any time to acquire the entire property and franchises of the company as a going concern upon the assumption by the commonwealth of all the company's outstanding indebtedness and liabilities and the payment of an amount in cash equal to the par value of the new company's shares plus any premium paid in cash for shares.

In this instance the reserved right to purchase the street railway property will expire at the end of the fixed period of public operation, except that the right to acquire the property by condemnation will continue.

General Service-at-Cost Law. Under the terms of a general act to provide for service-at-cost by street railway companies, also passed in 1918(3)

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(1) Massachusetts Special Acts, 1918, Chap. 159.
(2) An Act relative to the Bay State Street Railway Company, Chapt. 188, Massachusetts Acts of 1918.
(3) Massachusetts General Acts, 1918, Chap. 280.

provision is made to the effect that any company accepting the act "shall be bound by the fact of its acceptance to sell its entire property and franchises as a going concern to the commonwealth or to any city or town at any time for an amount in cash equal to the stock investment, as defined in Section 2 hereof, and the amount of cash paid in for preferred stock, and the purchaser shall in addition assume all the outstanding bonds, contracts, leases and other liabilities of the company."

These three Massachusetts service-at-cost acts reserving to the public through the state or some subdivision thereof the right to terminate a street railway company's franchises upon the acquisition of its property, contain two significant provisions not commonly included in indeterminate permit laws. These are (1) the provision prescribing substantially the actual cost undiminished by depreciation as the purchase price of the property, and (2) the provision that the property may be taken subject to the oustanding bonds so that the amount of cash to be paid at the time of acquisition is limited to the stockholders' equity.

Judicial Interpretation of Power to Revoke Locations. The Supreme Court of Massachusetts in a very recent case (1) has had occasion to interpret the law with respect to the revocation of street railway locations in Massachusetts. In this case the city council of the City of Salem had adopted an order permitting a street railway company to build a track in a certain street in 1909. It was claimed on behalf of the council that at the time the location was granted the company agreed not to use the tracks for any other purpose than for the transportation of coal to the power house station. In 1924 the council passed an order to the effect "that the public necessity and convenience in the use of Mason Street, a public way in the City of Salem, requires that the location for a track and curve granted to the Boston & Northern Street Railway Company on June 15, 1909, * * * be revoked." The company refused to accept this order of revocation and the city appealed to the Department of Public Utilities to confirm it, but confirmation was refused "upon general grounds of public necessity and convenience." Upon appeal, the Massachusetts Supreme Judicial Court held that the Department was the final authority in determining the facts with respect to public convenience and necessity. The court said:

> "Before the legislature vested in the Department of Public Utilities the power to approve or disapprove the revocation of a location of a street railway, the action of the local municipal board was final and conclusive. * * * The power to revoke such a location rests upon the ground that public necessity and convenience in the use of the way require it. The action of the city council could not be based upon any other reason. Under existing statutes * * * the action of the city council is not final, but rests ultimately with the Department of Public Utilities, whose decision upon questions of fact is conclusive. Whether public necessity and convenience in the use of a public way require that the location shall be revoked presents an issue of fact, in deciding which the Department is not governed solely by the necessity and convenience of the people in a neighborhood, or by the people of the municipality where the way is located, but it may also consider the necessity and convenience of the general public so far as it may be affected by the proposed action. * * *

III. WISCONSIN

Indeterminate Permit Policy Adopted in 1907. By the public utilities law enacted in 1907 the Wisconsin legislature established the policy of the indeterminate permit. This law applies to public utilities other than street

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(1) Council of Salem vs. Mass. Street Railway Company et al., decided Nov. 27, 1925, 149

ways, but the law governing street railways also contains similar provisions relating to the indeterminate permit.

Under the act of 1907 all future grants of franchises were to be in the nature of an indeterminate permit and utilities already possessing franchises were authorized to surrender them for indeterminate permits.

Experience having shown that not all the utilities having local franchises would voluntarily surrender them for indeterminate permits, the legislature in 1911, acting under a constitutional reservation of power, undertook to transform all outstanding utility franchises, except street railway grants, into indeterminate permits. The application of the indeterminate permit to street railways having municipal franchises granted before 1907, was left optional with the companies. At the present time, therefore, the Wisconsin statutes contain a declaration that all franchises for all utilities operating in the state, except street railways are in the nature of indeterminate permits. This declaration is subject to interpretation in each individual instance in the light of the United States Supreme Court's decision in the Superior Water Works case.(1)

The definition of an indeterminate permit is a grant for a public utility which shall continue in force until such time as the municipality shall exercise its option to purchase the property or until the permit shall otherwise be terminated according to law.

Along with the indeterminate permit goes the provision that no franchise shall be granted for a competing utility and no municipality shall construct a competing utility where there is in operation under an indeterminate permit a public utility engaged in similar service, unless the railroad commission shall first declare, after a public hearing, that public convenience and necessity require the second utility. By the original utilities act of 1907 it was provided that any existing franchise which contained any term whatsoever interfering with the existence of a second public utility should be amended in such a way as to permit the municipality to grant an indeterminate permit for the operation of such second public utility under the provisions of the act.

It also provided that every license, permit or franchise thereafter granted to any public utility should have the effect of an indeterminate permit, subject to the right of the municipality in which the major part of the property was situated to purchase the property actually used and useful for the convenience of the public, paying therefor just compensation to be determined by the commission and according to terms and conditions fixed by the commission.

Made Compulsory in 1911. By the 1911 amendment it was provided that every license, permit or franchise granted prior to July 11, 1907, by state or local authorities should be so altered and amended as to constitute an indeterminate permit. By accepting or operating under an indeterminate permit a utility is deemed to have consented to the future purchase of its property by the municipality in which the major part of the property is situated for the compensation fixed by the commission and under the terms and conditions determined by the commission, and is deemed to have waived the right of requiring a jury verdict upon the necessity of taking such property.

Any municipality has the power to construct and operate a utility plant subject to the provisions of the public utilities law. It may also purchase any public utility by agreement if such purchase and the terms thereof are approved by the commission; it may also acquire the utility prop

(1) Superior Water, Light & Power Co. vs. City of Superior, 263 U. S. 125.

"The success and permanency of utility laws, however ideal in their provisions, depend in great measure upon the manner and spirit of their administration," said Mr. Roemer. "If the intepretation and application of such enactments are not just and reasonable; if those charged with the administration of the laws permit themselves to be guided by any motives or considerations in the least ulterior to working out the problems with transparent fairness to the corporations and the public, popular distrust will soon replace confident expectations and the system fall before the indignation of the public, regardless of its intrinsic merit. The greatest fear, therefore, to be apprehended by those who desire to give the new system a fair and impartial trial in order to determine its economic efficiency, is that the character and purpose of the men who are placed upon our public service commissions may become tainted by motives and aims not consistent with exclusive promotion of the public good.

"In order to administer such a law with a view of ascertaining whether the social and economic principles embodied in it are sound, the administrators should enter upon the performance of their tasks as judicially minded economists, without hope of reward for their achievements or fear of censure for their failures. No self-seeking politician should be permitted to have any part in the administration of a public utilities law, as it cannot in its administration be made the means of gaining popular applause without defeating the very purpose of its enactment. When a public service commissioner attempts to use his position to influence the electorate to elevate him to a more coveted position of public trust, he ceases to be independent in his judgment and action and becomes a menace to the system. Advancement in public service should be the reward of conscientious devotion to the performance of the duty at hand, and not that of divided allegiance in the execution of a public trust though the same meet with the temporary approval of an uninformed populace. To one whose judgment is enlightened by experience it is apparent that no one can honestly exercise the vast powers that are conferred upon public service commissions over public service corporations unless he is free from political bias, ambition or prejudice, and absolutely independent in his thought and judgment."

In all this there seems to be a strange absence of recognition of the vast powers which the commissions exercise over the municipalities and individual consumers who are compelled by economic necessity to take the services which the utilities offer, and pay therefor what the commissions determine to be reasonable. Roemer's point of view seems to have been that of a criminal lawyer defending a person accused of crime, who insists that every doubt must be resolved in favor of his client, and forgets entirely that the public has as much interest in having dangerous criminals confined as a bad actor has in keeping his freedom because nobody can fasten upon him with absolute certainty the particular crime of which he is accused. In this spirit, the public service commissioner must hold himself aloof from the clamor of consumers and highly resolve to die politically, if need be, rather than see one of these hunted and defenseless public utilities fail by even a hair's breadth from getting justice.

The Indeterminate Permit and Its Corollaries. Taking up the subject of franchises, Mr. Roemer, in this Mobile address, said that the task of devising a limited franchise adequate to meet the requirement of the public and of the corporations during its fixed term of life was "an impossible one." Then he went on:

"The result of experience has established beyond successful contradiction that no franchise based upon sound economic principles can either be limited in time or prescribe definitely the charges to be exacted or the quality of the service to be rendered during the life of the franchise. A limited franchise also casts an unnecessary burden upon the public, and from the standpoint of the public is an economic waste. If a franchise is to be limited in time, provision must be made for the amortization of the investment during its lifetime. This requires the public not only to pay a reasonable return upon the investment, but also to pay during the term of the franchise the value of the property devoted to the public service. From an economic standpoint an unlimited franchise containing a provision that the municipality may revoke it at any time upon condition that it acquire the plant by

utility problems, as Roemer pictures it, reminds one of "the in- toil of thought" of the average workingman as described by Syd- Beatrice Webb in their sketch of the obstacles which trade union- to overcome. One is surprised at Mr. Roemer's emphasis upon the le features of the Wisconsin law, but his explanation is that the : too inept to use the powers they have.

ı with all the power over the regulation of rates and services vested in mu- :ouncils," says he, "such bodies absolutely refuse to act, and in the first in- nvariably bring their complaints before the commission. It is fair to as- ıat in the light of experience if the commission were abolished municipal would be reluctant to act because of their inability to pass intelligently up- natters of regulation within their powers and the consequent fear of the ex- f being obliged to defend actions in the courts. Municipal control would ther a dead letter or an expensive system. Furthermore, subjecting utilities control with only a court review following the same would be a deterrent tors in public utility securities. The expense of protecting the revenues of ities from attack by local council often inspired by local prejudice would tendency to limit injuriously the operating revenues."

·e we have it! Under local control, with or without an expert re- body, the municipalities will not act, but without a reviewing body an the courts the corporation would be injured by the expense of ıg themselves against the "attacks" of the local authorities.

ȝ 1914 speech Mr. Roemer states that the validity of the 1911 legis- ansforming every franchise into an indeterminate permit has been d by the Wisconsin Supreme Court, citing **Wisconsin Traction, Heat & Power Company vs. Menasha,** 157 Wisc. 1. But in the **Water, Light & Power Company** case, decided several years later, consin Supreme Court was reversed by the United States Supreme ı a case involving this issue, leaving the status of Wisconsin fran- ı some confusion.

t **of Voluntary Acceptance of Indeterminate Permit.** The original ıinate permit law of 1907 did not apply to telephone companies, as nchises had always been granted directly by the state. They were , however, in the 1911 statute amending all utility franchises to be ıinate permits. It should be noted further that street railways included in the Wisconsin definition of utilities, but by a separate ɛt railways were brought under the optional indeterminate permit 907. However, they were not brought under the compulsory inde- :e law of 1911. Mr. Fred L. Holmes, in his book entitled "Regula- Railroads and Utilities in Wisconsin," published in 1915, cites Com- ɛr Halford Erickson as authority for the statement that in 1911 when pulsory indeterminate permit law for public utilities was enacted, l number of privately operated electric, gas, water and heating utili- the state, and the total number which had acquired indeterminate by surrendering their old franchises, were as follows:

		Utilities which had accepted indeterminate permits	
Utility	Total Number	Number	Percentage of total number
Electric	140	53	38
Gas	40	15	38
Water	31	19	61
Heating	14	7	50
All	225	94	42

Based on property values the utilities which had accepted indeterminate permits constituted 40 per cent, and based on operating revenues 71 per cent, of the total. Mr. Koehler's statement that only ten per cent of utilities of Wisconsin accepted the indeterminate permit under the [illegible] provisions of the law during the four years period from 1907 to 1911 apparently was based upon the relation between the total number of companies under the jurisdiction of the commission, including the telephone companies, and the number that accepted indeterminate permits at a time when the indeterminate permit law did not apply to telephone companies. [illegible] were very numerous in Wisconsin.

Mortimer's Explanation. In the August, 1913, issue of AERA, organ of the American Electric Railway Association, appeared an article on "Wisconsin Indeterminate Permit Law," by James D. Mortimer, president of the Milwaukee Electric Railway & Light Company. This article contained a lengthy review of the legal aspect of the subject, including [illegible] In explaining why a relatively small number of companies surrendered their old franchises for indeterminate permits during the four years period, Mr. Mortimer said:

> The [illegible] was due to two reasons:
> [illegible] the courts and much uncertainty [illegible] companies operating under indeterminate [illegible] whose validity was doubtful. Many [illegible] burdensome; others acted [illegible] was not present for utilities [illegible] of some value.
> [illegible] as to their ability to [illegible] consent was difficult [illegible]

Commission of Minnesota. In March, 1913, the [illegible] Commissioner of Railroads [illegible] Laws of Minnesota [illegible] Regulation of Public Utilities in Wisconsin [illegible] the Results." [illegible] pamphlet the whole Wisconsin [illegible] is severely criticised [illegible] the special session of the Legislature [illegible] pamphlet said:

[illegible]

New [illegible]

[illegible]

"2. It has entrenched the companies in their monopoly grip upon the cities, with the result of continued excessive charges and inefficient service.

"3. It has made it impossible for municipalities to secure cheaper or better street lighting service through the construction of municipal plants.

"4. It has nullified existing contract obligations between cities and utility companies, often to the great advantage of the companies.

"The Wisconsin Commission described the indeterminate permit as a 'legally protected monopoly, which is more valuable than the original special franchise;' also as 'a practically perpetual and exclusive franchise.' This is also the opinion of the Wisconsin Supreme Court. (148 Wisc. 334.)

"The indeterminate permit guarantees absolute monopoly to the utility first on the ground. It totally eliminates competition. Not even may a city build a plant to serve itself."

Commissioner Erickson's Defense. The criticisms of the Wisconsin indeterminate permit on the grounds that it guaranteed monopoly, destroyed home rule and discouraged public ownership roused Commissioner Erickson to the preparation of rather elaborate arguments in its defense. Mr. Holmes, in the work which I have already cited, quotes from an unpublished article by Mr. Erickson, and in 1919 when the American Electric Railway Association presented Mr. Erickson as one of its witnesses before the Federal Electric Railways Commission, he filed with that body quite an elaborate paper on the "Indeterminate Franchise or Permit," which is of sufficient importance to be noticed here at some length. In this paper he described the indeterminate permit, reviewed its history in Wisconsin, and undertook to answer the criticisms made against it. In his definitions and discussion Erickson obviously tried to bring out the features of the law which theoretically were designed to preserve public authority and protect public interest, and thus he emphasized the fact that the monopoly guaranteed by the law is not absolute, that state control is not strictly exclusive and that the permit is terminable at the pleasure of the municipality, with or without a reason. He argues for monopoly in operation, and state regulation with private ownership, as good public policies, while at the same time trying to show that the municipality is left free to resort to competition if it can prove the necessity of it, to have municipal ownership if it wants to, and to exercise more effective control under private ownership than it could before the utility laws were passed. Defining the indeterminate permit and stating the argument against competition in public utilities, Mr. Erickson says:

"The indeterminate permit is in fact the right to occupy the streets and highways for the purpose of furnishing the public with needed service for compensation, subject to the provisions of the public utility laws of the state, including those which provide that the utility may be taken over or purchased by the municipality at a fair price, and which also provide that when public convenience and necessity require it, the Commission, charged with the administration of the public utility laws, may authorize another or a competing utility to enter the field and furnish like or similar service. Until such competition is so authorized, however, the permit or franchise thus obtained is exclusive in its nature.

"The Wisconsin indeterminate permit may be said to be the outcome of the efforts that have been made from time to time to find some franchise or permit for public utilities to operate under, that would go farther in protecting public interest and in stimulating private intitiative than any of the existing franchises. At the time the public utility and indeterminate permit laws were enacted, the franchises in effect varied from the pertpetual franchise without restriction to the short term franchise with all sorts of restrictions. The working of these franchises had gradually developed the conviction that they were out of harmony with the nature and purpose of public utilities. Such utilities for instance are not subject to the ordinary laws of competition in so far as the sale of the service they render is concerned and p

>n's power here is wholly subordinate to that of the municipality. The latter has t to notify the commission that it has decided to take over the utility and the >mmission must proceed to place a valuation upon the property. At any time a ty becomes dissatisfied with the service or rates charged, or with the utility's ethod of carrying on its business, or if there be no dissatisfaction, but in place of a desire for municipal ownership, the power lies with the city to take over the cility independent of the commission, except as to valuation by the latter. The aluation placed upon the plant by the commission stands as the amount to be aid by the city, unless on an appeal to the courts the latter should decide that the ommission's valuation was unreasonable."

On the other hand, in the case of utilities which were given indeterminate rmits in place of their old franchises without their consent, the municility cannot acquire the property or bring a proceeding before the comission to have it valued, without first getting the verdict of a jury that unicipal acquisition is necessary.

Erickson on Municipal Control in Wisconsin. On the question of municipal control Mr. Erickson argues that under the old perpetual and short-erm franchises the municipality had only such powers of regulation as ere conferred upon it by the terms of the grant itself, while under the new egime it is possessed of the following powers:

"To regulate the quality of the service, the extensions of the plant and other conditions in the first instance.

"To grant or withhold permits for the use of its streets and highways for public utility purposes.

"To cause the railroad commission to investigate the adequacy of the service and the reasonableness of the rates and other conditions and to require it to establish adequate service and reasonable rates and just conditions in other respects.

"To acquire the property and business of the utility at the price fixed by the commission which price must be fair and equitable to all concerned; and to operate such utilities in the interest of the public.

"To secure from the commission whenever conditions are such as to demand it, a certificate showing that public convenience and necessity require a second or competing utility, and to grant a permit to such competing utility authorizing it to use its streets and highways for public utility purposes."

Monopoly Not Absolute. On the question of monopoly he cites the Wisconsin supreme court as authority for the fact that the indeterminate permit does not have the obnoxious characteristics of monopoly as commonly understood. In the case of **Calumet Service Co. vs. Chilton,** 148 Wisc. 334, 359, the court said:

"So while, in common parlance, it is proper to characterize the exclusive privilege in question, a monopoly, it is one purchased by giving an equivalent to the public, as in case of a patent allowed by the federal government. It is a grant for a public, not for a private purpose, and not a grant of that which, without it, would be of common right. It has none of the essentials of the monopoly so offensive, anciently, in the eyes of the law."

And Mr. Erickson follows this up with his own statement:

"The situation is about this: that each party, the municipality and the utility, surrendered such advantages, if any, as might have accrued to either from conditions inhering in the local franchise, and thereby lost the benefit of any contractual obligation inhering in such franchise to which either was theretofore entitled. The municipality in a measure may perhaps be said to have surrendered such control over the service, rates and other conditions as it may have had under the franchise for the provisions of the public utility laws. The utility for the limited and perhaps non-exclusive franchise received an exclusive franchise indeterminate as to time. In consideration of this it not only surrendered such advantages as it may have had under the displaced franchise, but it became bound to sell to the municipality its property for the compensation and on the conditions fixed by the railroad commission. In addition to this it also had to accept competition when this

: rty and this is about all it could ask under the circumstances. It would also nt such competition as would ensue if another company was admitted into the without being required to take over the existing plant. This in turn would prevent the duplication of both plant and business organizations that are inevi- where competition prevails in the public utility field. Considering everything fore it is probable that such an amendment as the one in question might d additional protection to both the public and the existing utility."

lic Protection Under Indeterminate Permit. Summarizing his argu- Mr. Erickson points out the following as among the factors tending tect the public interest under the indeterminate permit:

. The public is entitled to adequate service at reasonable rates that are free unjust discriminations.

. The utilities are entitled to fair prices for the property that is used for the ts and highways for public utility purposes, it may also where no utility exists where a certificate of public convenience and necessity has been granted, either t or accept applications for such use; and through the exercise of this power in position to largely control the situation.

. The municipality has been granted the power to acquire at a fair price the erty and business of the utilities by which it is served and can exercise this er and enter the public utility business whenever it chooses to do so, or when- it becomes dissatisfied with either the service or the rates, or with any other litions.

. Whenever public convenience and necessity demand it, the municipality or e other utility can obtain authority to enter the field and to furnish service in petition with the existing utility."

vantages to the Investor. And among the factors tending to increase fety of the investment and promote fair treatment of "the enterpriser," ds the following:

. The utilities for adequate service are entitled to rates that are reasonable r the circumstances.

. The utilities are entitled to fair prices for the property that is used for the enience of the public when it is taken over by the municipality.

. Except where active competition existed when the public utility and inde- inate permit laws went into effect, the utilities are entitled to the exclusive right rnish the service until the property is taken over by the municipality or until good reasons a competitor is authorized to enter the field.

* * *

. The power to authorize a competitor to enter the field under a certificate of enience and necessity is exercised with the greatest care and with the most pulous regard for all the interests that are affected. Such certificates are not ted until it has been clearly established that public convenience and necessity and such action. In passing upon such matters inability or unwillingness to er adequate service and other questions that vitally affect the public welfare er than local frictions, political interests and untried and uncertain govern- tal experiments are the controlling factors. The burden of proving that such petition is necessary and to the best interests of the public is also largely upon e who make such application. In addition to this the merits of such applica- s are carefully inquired into by the commission. With the adequate power h the commission has, not only for ascertaining the true situation, but for pelling the existing utilities to furnish adequate service and to so carry on their ness as to promote the general welfare, it is clear that it is not often necessary rant such application.

. The power to permit competition when needed is regarded as of al- t as great importance as the power to revoke franchises, a power that rests usively in the legislature. It is also a fact that such competition, if authorized, ld under the circumstances be almost certain to spell ruin to the existing utility. en the existing utility, however, can be made to serve the public as well and s low cost as any service of the kind that could be obtained from any other

and that it had substituted an indeterminate permit for the rights grant-
plaintiff in error by the municipality. 'A new franchise was therefore
the defendant in lieu of its original franchise by the enactment of chap.
1911. Thereafter its franchise was that of the indeterminate permit, and
ject to the provisions of the Public Utility Law. This also was its fran-
October 1, 1917, when it is claimed its original franchise expired. The
lity Law had superseded everything of a franchise nature embodied in the
dinance granted to it by the village of Superior and the subsequent and
amendments thereto.' And also that it was immaterial whether or not a
etween the city and the water company resulted from the clause of the
dinance providing for the extension of the grant or purchase after thirty
use 'even though it be considered as a contract, we think it gives rise
ation on the part of the city to purchase the plant according to its terms.'

urt further said:

anifest purpose of the provision was to assure the water company one of
: either a renewal of its franchise for another period of thirty years, or
ts property in case such franchise be not renewed. The franchise called
ie having the same terms and conditions as may exist between the said
city and the said Superior Water Works Company at the expiration of
hirty years. The franchise which it had at that date was the indeter-
mit. That was either its franchise or it had none. That was a con-
nchise. It was indeterminate as to time. It was not limited to thirty
ny other period. Consequently there was no occasion for the city to
ne said Superior Water Works Company, its successors and assigns, the
ontinue and maintain said system of water works. It already had that
ere was therefore no breach of this part of the alleged contract on the
city. Until there was a breach of this provision of the contract, no obli-
the part of the city to purchase according to the terms of the contract
seems plain that the position of the water company is not helped by
this provision of the ordinance as a contract made by the city in its
capacity. The conditions precedent to an obligation on the part of the
under the terms of the contract have not come to pass, and the city has
ner become obligated to carry out the feature of the contract which is
be enforced in this action.'

ring the opinions of this court, it seems clear enough that a valid con-
ted from the dealings between the city of Superior and plaintiff in error,
each became obligated to do certain specified things. The company
construct, maintain, and operate an adequate waterworks system. The
ited itself to recognize the company's exclusive right to maintain and
e system for a definite period,—thirty years; and also to purchase the
it at a price fixed in the manner specified if, at the conclusion of such
should refuse to grant an extension. The rights so acquired by plaintiff
were property. (Here many authorities are cited.)

ining the relation between the parties, the court below declared: 'The
of the Water Company, which enables it to pursue its business of sup-
ter to the city of Superior and its inhabitants, is a contract between it
ate.' But it held the legislature had power to change this contract under
ation permitting alterations, in Sec. 1, Art. 11, of the State Constitution,
he Act of 1911 did modify the contract by substituting for rights thereby
a 'indeterminate permit.'

h its contract with the city the water company acquired valuable prop-
s. They were not directly created by any statute enacted under Sec. 1,
the State Constitution but were the outcome of agreement with a fully
d corporation. They did not arise from the mere exercise of a govern-
nction legislative in character, but from contract expressly authorized by
ture. None of the decisions of the supreme court of Wisconsin prior to
nich we have been referred construes the reservation in the state Constitu-
ving the extraordinary scope accorded to it below; and certainly, in the
some very clear and definite pronouncement, we cannot accept the view
n had the meaning now attributed to it.

as 1909, in State ex rel. Northern P. R. Co. v. Railroad Commission,
145, 157, 121 N. W. 932, that court announced: 'The right to alter or re-
ng charters is not without limitation when the question of vested prop-
s under the charter is involved. The power is one of regulation and con-
does not authorize interference with property rights vested under the
nted. * * * The reserve power stops short of the power to devest vested

establish correct economic principles in the franchise situation. As utility laws are modified from time to time and adopted in states where regulation does not now prevail, we are in a position to urge the adoption of the indeterminate form of franchise and urge the desirability of establishing uniformity on sound principles."

Immediately following Mr. Jackson's address, the report of the committee on Public Ownership and Operation by Commissioner Patterson of Alabama was to be taken up. But at that juncture Commissioner Ivan Bowen Minnesota facetiously inquired: "Before Mr. Patterson is called upon present his paper, I am inclined to ask just what position the President is ely to take on Government ownership?"

To this Mr. Jackson, as facetiously replied: "I am giving the matter very rious consideration and it looks as though I was going to finally decide gainst it."

National Association of Commissioners Approves Indeterminate Permit. ater in the sessions Commissioner Taylor of Nebraska, for the Executive ommittee, introduced certain resolutions designed to carry out suggestions hich President Jackson had made in his opening address. One dealt with ie indeterminate permit as follows:

"Whereas, it is desirable in any state wherein public utilities are subject to regulation by a state commission that the franchise or ordinance conditions under which the various utilities operate shall be uniform and harmonious so far as possible, to the end that there may be uniformity of treatment of the utilities on the part of the commission: and

"Whereas, under the present system of limited-term franchises, it is often difficult for a utility to finance itself and to sell its securities to investors; and

"Whereas, the principle of the 'indeterminate permit,' in the judgment of this Association goes far towards solving the difficulties hereinabove suggested, provided ample safeguards be made for the protection of the public and the investors in case of the termination of such permit;

"Now, Therefore, RESOLVED: That it is the sense of the National Association of Railway and Utilities Commissioners that the principle of the 'indeterminate permit' is economic and sound and should be adopted in the legislation of the various states relating to public utilities; and

"RESOLVED FURTHER: That this Association do, and it does hereby urge the Legislatures of the various states which have not as yet adopted the principle of the 'indeterminate permit' to enact legislation recognizing and putting such principle into effect."

This resolution was adopted without discussion with only one voice, heard it not identified, voting in the negative. Thus the great organization of ilway and utilities commissioners of these United States was put on rec- d in favor of the indeterminate permit, and President Jackson with his urels on went out to take up his new duties as counsel for the National lectric Light Association and the American Gas Association. Another Visconnsin man promoted!

Mr. Lewis E. Gettle, present chairman of the Wisconsin commission, is llowing in the foosteps of his distinguished predecessors in his praise of ie indeterminate permit law. In an address before the Missouri Association of Public Utilities, in May, 1926, he said:(1)

"The Legislature, the commission and the courts have universally agreed Wisconsin that the very essence and foundation of a complete system of ntralized regulation is the indeterminate permit complemented by provisions for municipal acquisition and for monopoly of operation.

"Every member of the Railroad commission since its inception has strongly favored the indeterminate permit form of franchise.

(1) "Wisconsin's Experience with the Indeterminate Permit," abstract of Mr. Gettle's paper, published the Electric Railway Journal, issue of June 5, 1926.

:ctric utility of Manitowoc Electric Light Company by City of Manitowoc, 1914, $137,000.00.

Electric utility of Grand Rapids Electric Company, by City of Grand Rapt. 14, 1914, $72,000.

Electric utility of the Prairie du Sac Milling & Light Co., by the Village irie du Sac, Oct. 30, 1914, $5.1000.

Fond du Lac Water Co. by the City of Fond du Lac, No. 22, 1911, $344,456.00.

City Water Company of Sheybogan, by City of Sheybogan, March 16, 1909, 00.00.

Manitowoc Water Works Company by the City of Manitowoc, Nov. 22, $247,500.00.

Falls Light and Power Plant by the City of Sheybogan Falls, $17,500.00.

Racine Water Company, by City of Racine, $1,015,000.00. Case went gh both State and Federal courts.

Electric utility of the Wisconsin-Minnesota Light and Power Co., by City eybogan Falls. Case pending.

McGowan Water, Light and Power Company by the Town of Milton. pendidng.

Electric utility of the Wisconsin-Minnesota Light and Power Co., by of Rice Lake, Dec. 5, 1922, $233,000.00.

. Washburn Water Works Co. by City of Washburn, $50,000. Case now ng in state courts.

. Water utility of the Lake Superior District Power Co., by the City of ey, Apr. 4, 1923, $45,000.00.

. Lake Geneva Water and Light Company's water utility by City of Lake va, Feb. 8, 1911, $86,500.00.

. Electric utility of the United Heat, Light and Power Company of Delavan ie Village of Sharon, $2,000.00, Oct. 6, 1914.

. Bloomer Electric Light and Power Co. by the Village of Bloomer, Dec. 1918, $12,500.00.

0. Cashton Light and Power Company by the Village of Cashton, Nov. 28, , $3,1000.00.

do not know on what theory utilities have gone into the Federal court, as they in one or two instances, but presume that the Federal courts are available to on the ground that there is an attempt to take property without due process w which, of course, is forbidden by the Federal constitution. Relying upon right they might sue for an injunction against the Commission restraining it filing a certificate with the municipal clerk, and thereby attempting to divest its property. The statute, of course, provides that upon such filing the title immediately in the municipality."

gation in Racine Waterworks Case. With respect to the Racine liti- over the acquisition of the plant of the Racine Water Company, Judge Burgess of the Municipal Court of Racine County, who served as city ey through the waterworks controversy, in a letter to the writer March 18, 1926, says:

ie litigation was started under our Wisconsin Statute by a resolution instruct- e to start proceedings for the acquisition of the Water Plant and in accord- with such resolution application was made to the Railroad Commission for ing to determine the valuation and the amount which the city should pay. a hearing of the Commission could be had a taxpayer instituted an injunc- suit in the Circuit Court to restrain the city from proceeding with the to purchase under the statute, claiming that our proceedings were wr

Extent of Voluntary Surrender of Old Franchises. During this p[eriod] utilities surrendered their franchises for indeterminate permits as follows: Light, 199; heat, 85; power, 109; water, 45; gas, 67; telephone, 131; and electric railway, 133.

Under the Indiana law no competing franchise can be granted unless the commission first issues a declaration that public convenience and necessity require a second public utility within the municipality, but on the other hand, any provision in an existing franchise purporting to make it exclusive is declared contrary to public policy and eliminated by the act, leaving it optional with the commission to authorize competition where public convenience and necessity require it.

The limitation upon competition extends to the construction of municipal plants, as well as private plants. An indeterminate permit is subject to revocation by the commission for cause.

Under an indeterminate permit the municipality in which the major part of the property is situated has authority to acquire the used and useful prpoerty at any time, paying therefor its value at that time as determined by the commission and according to the terms and conditions fixed by the commission.

Status of Utility Franchises if Law is Repealed. In case the Shiveley-Spencer act should be repealed or annulled, then all the indeterminate permits will cease and in place of them the utilities will be reinstated in the possession of the franchises which they have surrendered, but in no case shall such reinstated franchise be terminated within a less period than five years after the repeal or annulment of the act.

The Right of Municipal Ownership. By the acceptance of an indeterminate permit or by operation under such a permit, a utility is deemed to have consented to the purchase of its property by the municipality and to have waived the right of requiring the necessity of the taking of its property to be established by jury.

Any municipality has authority subject to the provisions of the act to construct or operate a public utility; and to purchase a utility plant by agreement subject to the approval of the commission.

The municipality also has the right to acquire by condemnation the property of any utility operating without a franchise or under a franchise granted prior to the enactment of the indeterminate permit law.

In case of condemnation the necessity therefor shall be determined by a jury in the circuit or superior court of the county. In the event of condemnation or purchase under the terms of an indeterminate permit, the commission, after notice and hearing, fixes the "just compensation" to be paid for the property "and all other terms and conditions of sale and purchase which it shall ascertain to be reasonable, allowing not to exceed one hundred twenty days for the payment of such compensation."

The utility itself or the municipality or any creditor of the utility may appeal from the commission's order to the circuit or superior court and thence to the supreme court of the state; and if the commission's order is found to be unreasonable in any respect, the matter will be remanded to the commission for a modification of its order according to th efindings of the court.

Chairman Duncan's Plain Statement. Mr. Thomas Duncan, first chairman of the Indiana Public Service Commission, in an address bef[ore]

of the municipality a written declaration that it surrenders such ex-
franchise.

municipality has the right to own and operate a telephone exchange
it may construct a telephone plant or purchase an existing plan either
greement with the owner or by condemnation. If the plan involves
onstruction of a new exchange where one already exists, it requires
pproval of not less than 65 per cent of the voters.

case the municipality acquires a telephone plant by condemnation, the
compensation to be paid shall be fixed by the state commission subject
peal to the district court of the county and from that to the supreme
t of the state.

to January 4, 1926, the Minnesota Railroad and Warehouse Commis-
had granted 249 indeterminate permits to telephone companies in the
e.

ndeterminate Permit Under Street Railway Control Act. By another
pproved April 14, 1921, the Minnesota legislature established the policy
he indeterminate permit for street railways.

nder the terms of this act any franchise previously granted or that might
granted thereafter would be transformed into an indeterminate permit
n the filing by the street railway company of a written declaration of its
ire that such grant become an indeterminate permit and of its consent
t the terms of the street railway control act shall govern the ownership,
ntrol, management and operation of its property.

An indeterminate permit procured in this manner is subject to all of the
rms, conditions and obligations of the company's existing franchise, ex-
pt as otherwise expressly provided in the act.

An indeterminate permit remains in full force "unless and until the city
hall acquire the street railway property of such street railway within the
mits of such city, or unless terminated or modified by the legislature."

The city may acquire a street railway (a) by eminent domain; or (b) by
urchase by agreement with the company; or (c) by purchase at the fair
alue of the property as determined by the commission, subject to an appeal
to the district court of the county and from that court to the supreme court
of the state.

In a valuation for purchase under an indeterminate permit nothing shall be allowed for any franchise and no allowance shall be made for damages because of the severance of the property from connecting properties; but the property taken is to be valued "as an operating system."

In any case a purchase by the city must be ratified by the electors after the determination of the value of the property.

Under this act the state commission is given exclusive authority to regulate rates based upon the fair value of the property and to control the street railway company's capitalization and its system of accounting.

To the municipality is reserved the exclusive control of service and no franchise may be granted except by the municipality.

The municipality is made a party to every proceeding before the commission with respect to a utility, and the necessary expenses incurred by the city in such cases are to be paid back to it by the street railway, up to an amount equal to $150.00 for each 1000 population of the city, and charged to operating expenses.

The commission's decisions may be gone into de novo upon appeal of either party to the state courts.

s of the franchise for the extended term. Under the new contract the ecured the right to purchase the property upon the final expiration of rant by limitation.

VI. OHIO

he Tayler Plan in Cleveland. In 1910 the City of Cleveland negotiated amous service-at-cost ordinance embodying the so-called "Tayler Plan" he settlement of the city's street railway problems. This grant was en for approximately 25 years, the maximum period allowed by the state but the city reserved the right at any time upon six months' notice to e over the property at its capital valve plus a bonus of 10%; or in the rnative, after 1918, to designate another company to be known as the 's licensee to take over the property on the same terms, but under agree- nt to accept a rate of return at least ½ of one per cent lower than the e acceptable to the previous owner. At the expiration of the grant the y was given the right to acquire the property at its capital value without y bonus, or to acquire it at a price to be determined by arbitration. If e city does not renew the franchise or itself acquire the property, any her party receiving a franchise for the routes occupied by the existing reet railway will have to take over the portion of the property on those utes. A provision that tends to make the Cleveland franchise approxi- ate an indefinite grant is to the effect that if the city allows the grant to ome within less than 15 years of its expiration without being renewed, the ompany will be released from most of the restrictive provisions of the ranchise pertaining to fares and city control of service, and will be permit- ted to apply its surplus earnings toward the amortization of the capital ac- count. The Cleveland grant is a home rule franchise, and does not carry with it any recognition of state control.(1)

Optional Indeterminate Permit Act Applicable to Rogers Law Cities. Three years after the Tayler plan was put into effect in Cleveland, an optional indeterminate permit law for street railways was enacted by the Ohio legislature applicable only to cities which had granted 50-year franchises under the so-called Rogers Law of 1896. The act was passed for the special benefit of Cincinnati, but it has never been used. It is important in that it embodies the theory of the indeterminate permit free from the Wisconsin corollaries involving the abandonment of the theory of contract and the establishment of state control. Under it the grant of an indeterminate permit, if made, is to be made by the municipality and will continue in force until the municipality takes over the property or until the grant is otherwise terminated according to law.

Existing franchises may be surrendered and an indeterminate permit accepted in lieu thereof if the municipality in which all or the major part of the property of the utility is situated accepts the surrender and grants the indeterminate permit. At the times provided in the grant or, if no time is specified, then at any time after the grant has been made, the municipality may purchase "all of the property of such public utility actually used and useful for the convenience of the public."

The amount to be paid for the property in the event of municipal purchase may be determined (1) by condemnation proceedings, (2) by proceedings before the state utilities commission, or (3) by agreement between the parties. Unless by agreement, the compensation shall not include any

(1) The Cleveland franchise was extended in 1909 to 1944, fifteen years in advance of the expiration of its original period of life, and again in 1926, eighteen years before the date for its expiration it was extended, with considerable modification of terms, to 1951.

and in the ascertainment of what shall constitute reasonable rates, nicipality shall have due regard among other things to the value of property of the utility actually used and useful for the convenience public, exclusive of any franchise value in excess of the amount actu- id to the municipality for the indeterminate permit, and exclusive of lue added to the property by reason of a monopoly or merger; and unicipality shall also make its determination with due regard to the ity of reservations out of income, for surplus, depreciation and con- cies.

he ordinance granting the indeterminate permit has no provision re- to appeal from or arbitration concerning the orders of the municipal- he utility may appeal to the state utilities commission from any order is in violation of law or of the permit or from any unreasonable order erning matters upon which the parties have not agreed in the permit

the ordinance granting the permit provides for an appeal to or arbitra- by the state commission, then the commission must determine the mat- according to the procedure, methods, terms and conditions provided for he ordinance; and the provisions of law specially providing for judicial iew of the orders of the commission shall not apply to the commission's ion in such cases; and except as above provided, the provisions of law ating to appeals, complaints or applications to the state commission shall apply to public utilities operating under indeterminate permits.

The duties imposed upon public utilities may be enforced also by man- mus and other judicial proceedings provided by law.

The act is not to be construed as depriving the municipality of its right prescribe by charter any other methods, terms or conditions for the anting of indeterminate permits. The invalidity of any section or part f the act is not be deemed as affecting the validity of any other section r part of it.

Service-at-cost Street Railway Franchises in Cincinnati. In 1918 the City of Cincinnati negotiated a service-at-cost franchise settlement with the Cincinnati Traction Company, this grant being in the nature of an amendment to a 50-year franchise granted in 1896. Under the new agreement the city was given the option to purchase the property at any time by paying therefor the price agreed upon and specified in the ordinance itself with adjustments made according to the terms of the ordinance. This contract did not work out to the satisfaction of the parties interested, and in 1925 a new service-at-cost grant was made to the Cincinnati Street Railway Company, running for a period of 25 years, subject to the city's right at the end of any calendar year, having given one year's previous notice, to take over the property at a specified price. As in Cleveland, a premium was put upon the renewal of the grant by a provision to the effect that if the franchise was permitted to come within 10 years of expiration the company would have the right to put into a special sinking fund a sufficient sum during the remaining ten years of the franchise period to redeem at the end of that time all securities falling due at a later date. Both the 1918 and the 1925 ordinances provided for the amortization out of earnings of a certain portion of the recognized capital value.

Service at Cost in Youngstown. In December, 1918, the City of Youngstown also granted a service-at-cost franchise to the local street railway company (now Youngstown Municipal Railway Company), patterned to a considerable extent after the Cleveland franchise. This grant was for a

apital value fixed by the ordinance, plus an amount equal to the call
n upon the preferred stock and bonds of the company then outstand-
he city reserved the right to assume the bonded indebtedness of the
ıy if, at the time of acquiring the property, it was authorized by law
so. Under another provision of the ordinance the city reserved the
o lease the property for municipal operation at any time after giving
onths notice, paying as rental therefor a sum equal to 8 per cent per
ı on the capital value. The Toledo franchise provides for the estab-
ent of sinking funds gradually to amortize the purchase price out of
gs during the continuance of private operation. It also provides for
mortization of the purchase price under municipal operation in the
: that the property is taken over by the city under lease.

ll another Ohio city, Akron, under an ordinance passed in 1924 and
inuing for the short term of four years, reserved to itself the right to
over the street railway property at the end of any annual period by
hase or by lease.

will be observed that in Ohio the rights of cities to enter into binding
tracts with street railway companies has been preserved and, following
lead of Cleveland, the several cities mentioned above have adopted in
: form or another the service-at-cost plan, including a limited term grant
ject to the right of the city to take over the property at any time before
: expiration of the grant, but in most cases, also containing provisions
ended to cause the renewal of the franchise 10 or 15 years in advance of
expiration, unless the city in the meantime has acquired the property.
the Ohio indeterminate permit law, which has never been used, the the-
y of the indeterminate permit is carefully worked out without the corol-
ries attached to it in the Wisconsin scheme. The Ohio plan preserves the
ower of control through contract, and municipal home rule.

VII. CALIFORNIA

The Resettlement Franchise Law. By an act approved May 22, 1917, the legislature of California made provision for the resettlement of franchise rights for street railway companies in cities having a Freeholders' Charter which contained provisions for the resettlement of franchise rights.

The governing body of the city is authorized to grant a resettlement franchise upon terms and conditions mentioned in the act, with authority also to impose other and additional terms and conditions not in conflict therewith.

Every resettlement franchise must be adopted by the electors and accepted by the grantee.

Every resettlement franchise grant is subject to the continuing right of the municipality to acquire the property.

Every holder of a resettlement franchise must pay the municipality a percentage of its net revenue as fixed by the franchise.

The municipality may provide in a resettlement franchise that franchises held by the utility for areas outside of the municipal boundaries shall be surrendered when such outside areas are annexed to the city and thereafter the utility shall operate its street railway in such outlying areas under the terms of the resettlement franchise. It may also provide that the property of the utility in areas annexed to the city shall be valued by the railroad commission and the value thereof added to the capital valuation already fixed in the resettlement grant.

All existing franchises are to be surrendered when a resettlement franchise is acquired.

of money flowing into the equity of the business on that amount, if any, in the value of the property remaining, after the bonded indebtedness, as above defined, has been deducted.

"As the equity shall be acquired by the city, as provided for in paragraph (1), the city shall have such representation in the management of the utility as the equity so acquired bears to the whole equity defined herein.

"(m) The city shall have the right, at or after the time of acquiring the whole quity in any public utility, operating under an indeterminate franchise, to retire all utstanding bonds, without penalty or premium, or any other requirements contained the deed of trust, regarding such bond issue, by the payment therefor in cash not xceeding the par value of such bonds, or in the bonds issued by the city on the asis of par for par, and in accepting an indeterminate franchise, the grantee of ame shall submit in writing an acceptance also by the trustee or trustees for the ondholders, whereby they agree to accept the provisions of this section relative to he retirement of bonds.

"(n) That every indeterminate franchise shall provide that there shall be a uniform rate for the service rendered by the utility holding such franchise throughout any given area or areas, that may be determined or defined by Council, and that if more than one area shall be so determined and defined, the rate for service from the centre of one area to the centre of the other area shall not exceed the sum of the rate in the lower-rate plus one-half the rate of the higher rate area, nor from the extreme limits of one area to the extreme limits of the other the sum of the two rates, as defined for each area.

"(o) Every such indeterminate franchise granted to any person, firm or corporation for the operation of any street or interurban railway in or upon any of the streets within that part of the city bounded by Figueroa Street, Washington Street, Central Avenue and Temple Street and the prolongation of the latter two streets necessary to make a junction thereof, shall be subject to the condition that the person, firm or corporation operating such street or interurban railway shall, upon one year's written notice given pursuant to a resolution adopted by the Council, remove all the rails, ties and other appurtenances from any and all of the streets within such district, over or under which the city shall have determined to construct or cause to be constructed any elevated railway or subway, whether or not such street or interurban railway be offered facilities on such elevated railway or through such subway so constructed or caused to be constructed. And shall also, upon one year's written notice, given pursuant to resolution adopted by the Council, remove all rails, ties or other appurtenances from any street where, in the judgment of Council, the same are not properly located, and re-locate and construct the same on such other streets, or abandon entirely, as the Council may demand in the interests of the public service.

"(p) That an indeterminate franchise shall be granted only to a corporation, organized and existing by virtue of the laws of the State of California, and to a corporation or individual maintaining its or his principal office and place of business in the City of Los Angeles, at which shall be kept all the books of account relative to such corporation."

Indeterminate Permit in Oakland, Berkeley and Other City Charters The City of Oakland, in 1917, amended its charter so as to provide that "every franchise, permit or privilege shall be granted for an indeterminate period, subject always to the right of the city to acquire and possess the property of the grantee and to assign its rights to acquire and possess to a third person, firm or corporation." Six months notice must be given, if the city wishes to take over the property, and the purchase price is to be fixed by the Railroad Commission of California, with subsequent additions and deductions as provided in the charter.

The City of Berkeley, in the same year, amended its charter to provide for the indeterminate permit in terms similar to those found in the Oakland charter. With respect to resettlement franchises, the Berkeley charter contains the following provision for the assumption by the city of the company's bonded indebtdeness:

"Every re-settlement franchise may provide that, when purchasing the property of the grantee, the City, if and when permitted by the provisions of the Constitution of the State of California, may assume the obligations of such grantee for the pay-

s act applies to utilities furnishing power, light, heat, gas, electricity er, thus omitting telephone and transportation companies.

utility may acquire a revocable permit by filing with the municipality with the state corporation commission a declaration surrendering its ng franchise prior to the expiration thereof. Thereupon, the utility eceive from the corporation commission a certificate that it is the r of a revocable permit under which it may continue to conduct its ess in the municipality upon the same terms and conditions which ob- d under its old franchise, except only as to the duration of the grant, all s "subject to the lawful police regulation and control of such munici- y."

e act does not limit the right of the municipality to include in any fu- franchise grant such provision as it may see fit requiring the grantee to ribute to the municipality a portion of its receipts or any other sum of ey, or reserving to the municipality the right to purchase the property; every right of this nature created by any present or future franchise or tract is continued in full effect, and no existing right of a municipal cor- ation under the laws of the state is affected in any way by the revocable mit law, except as expressly provided therein. Any revocable permit nted under this act may be "altered, amended, annulled, revoked or re- aled" by the legislature "whenever in its opinion such permit may be in- rious to the citizens of this state; in such manner, however, that no in- stice shall be done to the holder of such permit."

No competition in public utility service within the field covered by the vocable permit law may be started, except by the municipality, without a rtificate of public convenience and necessity therefor to be issued by the orporation commission of the state. This limitation of competition ex- ends not only to cases where a utility is already in operation, but also to ases where a valid franchise or permit for such operation is outstanding. rom a decision of the commission granting or refusing a certificate of onvenience and necessity, an appeal may be taken to the Supreme Court of the state, as in other cases of appeal from the commission's orders.

Revocation by the Legislature. Here we have the indeterminate permit policy in a new form. The legislature alone has the power to revoke the permit and no provision is made for the purchase of the property at the time of revocation. Meanwhile municipal competition is not forbidden, and the status of the city in matters of control is left quite indefinite.

In an article published in the **National Municipal Review**, entitled "The Indeterminte Permit for Utilities Serving Municipalities,"(1) Prof. Harry A. Barth, of the University of Oklahoma, commended on one feature of the Oklahoma law as follows:

> "In at least one state, Oklahoma, it is provided that the permit may not be revoked unless no injury is done to the owners of the utility and unless the citizens of the entire state are being harmed by a continuance of the permit. Qualifications such as these may be interpreted by the courts so as to make revocation impossible. At best, vague limitations of this character can lead only to endless litigation and strife, with accompanying increase in the work of the courts and decrease in popular regard for the institutions of government. It is difficult to see how the indeterminate permit can be revoked without endless conflict over the clause forbidding impairment of obligations and the due process bugaboo."

(1) December, 1925, issue

...ew section added in 1909 it was provided that a franchise might be ...to a private company for the construction, maintenance and opera... ...a rapid transit railroad. A rapid transit railroad constructed under ...tion could be taken over at the end of ten years at a price not ex... ...actual cost plus 15 per cent; and if the city postponed the exercise ...option to purchase until a later period, the price to be paid would ...ly diminish until at the end of the term for which the franchise was ...l the cost of the railroad itself would be completely amortized and ...g would have to be paid for it.

...milar provision was incorporated in the rapid transit act by an amend... ...n 1912 applicable to a rapid transit railroad constructed by the city ...ased to a private company for equipment, maintenance and operation. ...er these provisions of the rapid transit law the contracts for the equip... ...and operation of the Dual system of subways were executed in 1913 ...ning provisions for the recapture of the subways in whole or in part ...option of the city at any time after the expiration of ten years from ...mmencement of operation, with the further provision that any part of ...ubway system not recaptured under this option prior to the expiration ...full term of the contract, namely, 49 years, would then come into pos... ...on of the city without payment therefor.

...rtificates issued at the same time for the construction of extensions to ...existing privately owned elevated railroads and for the third tracking of ...railroads were for a period of 85 years with similar provisions as to re... ...ure by the city and amortization of capital.

XII. PHILADELPHIA

Right to Purchase Reserved by Early Ordinance. As early as 1857 the ...ty of Philadelphia passed a general ordinance subjecting all street rail... ...ay companies to certain restrictions, limitations and conditions. The city ...as committed to the policy of competition in the local transportation busi... ...ss and the companies' names were legion. The city reserved the right to ...e over the street railways at cost, by the following provision:

> "The directors of any such company or companies shall immediately after the completion of any passenger railroad in the city, file, in the office of the City Solicitor, a detailed statement, under the seal of the company, and certified under oath or affirmation by the president or secretary, of the entire cost of the same, and the city of Philadelphia reserves the right at any time to purchase the same, by paying the original cost of said road or roads and cars at a fair valuation. And any such company or companies refusing to consent to such purchase shall thereby forfeit all privileges, rights and immunities they may have acquired in the use or possession of any of the highways as aforesaid."

Indeterminate Permits Abrogated by 1907 Settlement. But 50 years later in its resettlement franchise contract with the Philadelphia Rapid Transit Company, the city abrogated the provisions of this old ordinance and confirmed the franchises of the underlying companies in perpetuity, thus substituting perpetual franchises for the indeterminate permits under which the streets railways had been operated for 50 years.

Under the new contract the city reserved the right at the end of another period of 50 years or at the end of any twelve months period thereafter to acquire the property, leaseholds and franchises of the Philadelphia Rapid Transit Company by purchasing its stock at par. However, the contract made provision for payments into a sinking fund, estimated to be sufficient on a four per cent interest basis to accumulate the sum of $30,000,000 by the end of the 50-year period, that amount representing the par value of the

more than one year can be granted by the local authorities with-
:rendum, unless it is "subject to revocation at the will" of the
ity—city, village or township.

-Day Agreement in Detroit. In the city of Detroit street railway
s were originally granted on a competitive basis for limited terms
ıout a uniform date of expiration. The city developed a strong de-
municipal ownership, and finally adopted the policy of not renew-
.red franchises and not granting new franchises for street railway
s. To meet the urgent need for extensions, it granted a large num-
ndeterminate permits to the Detroit United Railway under so-called
lay agreements. A sample of these permits is contained in the
ɔn Boulevard resolution of April 4, 1911, which was in part as fol-

hereas, The Detroit United Railway has consented to lay a double track on
lton Boulevard connecting with its tracks on Holden and Greenwood avenues
ut acquiring any rights in the street except the right to enter thereon, lay its
s and operated cars thereon at the pleasure or caprice of the Common Council
e people of the City of Detroit.

herefore, Be it resolved, that consent, permission and authority is hereby
ted to the Detroit United Railway to enter upon Hamilton Boulevard from the
section of Greenwood and Holden avenues to the northerly City Limits, and
and construct thereon a double track with necessary and proper pole and wire
-head power equipment and connect the same and operate its cars on said
milton Boulevard from the intersection of Greenwood and Holden avenues to
northerly City Limits, and lay and construct thereon a double track with neces-
y and proper pole and wire overhead power equipment and connect the same
d operate its cars on said Hamilton Boulevard as a part of its system, under the
me terms and conditions under and by virtue of which it is operating that por-
ɔn of its system on Grand River and Greenwood avenues in said city except as
erein otherwise provided.

"And it is further resolved and understood that if the City of Detroit shall be law-
ully authorized to engage in the ownership and operation of street railways, and
hall so engage in such ownership and operation, and shall desire to operate a part
f its system over said street, it shall purchase the tracks and equipment constructed
nder this consent, together with the equipment necessarily furnished and acquired
y said company for the operation of cars over said additional tracks, and shall pay
herefor a sum of money equal to the cost thereof, less depreciation, to be ascertained
t the time of the purchase thereof by the City; the sum to be agreed upon by the
arties hereto, or, if they should fail to agree, the said sum to be determined by a
oard of arbitration, one member of which shall be selected by the company, another
y the Mayor of the City of Detroit, and a third by the two thus chosen, and a de-
ision of said board or a majority thereof, shall be final."

Ten years later, when the city undertook to construct a supplementary
nicipal system, it took advantage of the option contained in a number of
se day-to-day agreements, and took over about 30 miles of track and 128
s for operation in connection with the city-built lines. The purchase
ce was fixed by a board of arbitration at $2,297,277. The purchase price
the remainder of the city lines of the Detroit United Railway system sub-
quently purchased by agreement was, by comparison, $19,800,000.

ndeterminate Feature of Grand Rapids Street Railway Franchise. In
22 the City of Grand Rapids granted to the Grand Rapids Railway Com-
ıy a new franchise based on the service at cost theory. This franchise
s for a term of thirty years, the longest period allowed by the state con-
tution, but the grant contains provisions which indicate that the parties
l not take this 30-year limitation seriously. The city reserved the right
take over the property by paying the capital value determined in accord-
ce with the terms of the franchise, plus ten per cent. This right may be

ate Franchise Theory Approved in 1900. The Chicago Street
ımission of 1900 reported in favor of the indeterminate fran-
ıis point, it said:

:ult to compel a corporation enjoying definite term rights in the public
what it may desire for reasons of self-interest not to do. The only way
:o be certain of its ability to exercise complete control over its public
ıver the means of transportation thereon is for it not to surrender be-
ny rights of use or of occupation in such streets. The city can control
nly when it is in a position to terminate at any time the right of use
ıy person or corporation that may choose to defy the will of the city in
In other words, the grant terminable at any time at the will of the
es is the only kind under which the city can be sure of its ability to
situation at all times. And it is precisely in the communities where
grant obtains that the best results generally are secured, and it is in
ıities that the relations between the corporations and the public are the
:tory. We refer to the State of Massachusetts and to the City of
D. C."

of Termination of 1907 Settlement Ordinances. The street
ement ordinances granted in 1907 were for a period of twenty
ıe theory of the indeterminate permit was recognized in the
:serving to the city the right at any time upon six months no-
ıire the property for municipal operation or to designate a
ı the right to acquire it. If the property was taken over for
eration, the price to be paid would be the capital value as fixed
; of the ordinance, but if the city took the property in order to
ansfer it to some other company, then it would have to pay a
per cent in addition to the capital value. But the city also
ate a licensee to acquire the property and operate it on a limited
and in that case, the city's licensee would have to pay only
alue without the bonus. In case the franchise was permitted to
nitation, the city could then purchase the property without re-
to its subsequent use or could designate another company to
.t the capital value without bonus. The city was not obliged to
t if it gave any other company a franchise to use the streets
the grantee's street railway tracks, then such other company
der obligation to buy the property at its capital value before
e right to operate street railways on those lines.

go Traction Fund. The Chicago ordinance went further and
the establishment of funds out of suplus earnings "for the
l construction of street railways." Into these funds were to be
cent of the net revenues from operation after the payment of
penses, depreciation and taxes and a five per cent return upon
ed capital value.
railway purchase moneys received under these ordinances have
d for the partial amortization of the capital value and have not
d in the companies' securities. They have been placed in a
l known as the Traction Fund, out of which certain expenses
aid for subway and traction investigations. The moneys re-
he fund have been treated as a part of the total funds in the
city treasurer, and have been permitted to earn interest at the
s the rest of the city moneys.

he Barr Bill. After the rejection by the voters of the proposed
traction ordinance in 1925, the utilities of the state caused a

Chapter IV.—Advantages to the Utilities of the Indeterminate Permit.

Stability. From the standpoint of the utilities the indeterminate permit characteristic type, with its Wisconsin corollaries, holds certain very tant advantages. Under it the utility is freed from the uncertainties ps and downs that come from the periodic expiration of its franchises. er words, it gains stability. Mr. William M. Wherry, Jr., in his book, lic Utilities and the Law," referring to the Wisconsin policy, says: all states follow the example set, the industry can never be stabilized." ity means security of the investment and assured earning power, all g to give contentment to the capital already in the industry and to persuasive attractions to new capital as required. In fact, with sta- it is often found that the old investors are glad of an opportunity to sh additional capital whenever the needs of the enterprise call for it, where this is done it tends greatly to reduce the cost of assembling y for public utility enterprises and tends to remove their securities the speculative market and keep them rather closely held by groups of kholders permanently interested in the property. Under such condi- the theoretical control exercised by stockholders can be made much e effective in practice than in cases where the stock of the utility is ly scattered and frequently changing hands.

Flexibility. Another important advantage to the utilities arises from fact that, under the indeterminate permit of the Wisconsin type, they freed from the contractual restrictions ordinarily found in a term fran- ise. Their franchise is a permit to do business and the utility is not load- down with inflexible requirements not adapted to changing conditions. erhaps the most important single item of regulation by franchise contract was the five-cent fare for street railways, and undoubtedly no other single equirement in the public relations of utilities in this country has brought hem so much grief or been the occasion of so much bitterly contested liti- gation as this. In the earlier days of the street railway business, with the ntroduction of electricity as a cheap motive power, the five-cent fare for a long time was regarded as a great stabilizer. It gave the companies some- thing definite to count upon and they felt confident that with the growth of population and the riding habit on the one hand, and with lower operating costs on the other, they would be able to make a mint of money in a city of any size. But the sudden change in economic conditions resulting from the World War brought the street railways, and all other utilities operating under fixed price schedules, to a realization of the fact that they could not live without flexibility.

Unchangeable prices for utility service fixed by contract for a period sometimes extending to perpeutity are not the only illustrations of the an- noying inflexibility of the franchise contract as an expression of the power of regulation as applied to the operations of public utilities. Provisions relating to motive power, routing of cars, operating schedules and other matters affecting service, in many cases signified an intolerable inflexibility in the street railway business. In the gas business old candle power stand- ards and even heating standards have often become obsolete long before

determinate permit and its corollaries are advantageous to the public
h providing the conditions of efficient work to the public servants, al-
upon the assumption that the utilities are in spirit and in fact guided
ily by the idea of public service. The free hand is good for all
concerned so long as the servant does not forget his status and does
use his freedom from restriction to get power over his master and ex-
om his master unreasonable compensation, or compel his master to
with inadequate service. From the public point of view, therefore,
matter of funmental importance to determine whether or not there
an irrepressible conflict of interest between the utilities under private
ion and the public which they serve—to determine whether or not the
s under private operation are guided primarily by the idea of public
or, on the contrary, tend to subordinate the idea of public service to
wn idea of private profit. If the indeterminate permit is a perpetual
clusive franchise "during good behavior only," then from the public
of view it becomes all important to determine what are the guaranties
d behavior and what are the alternatives if and when the utilities
from their good behavior.

point most utilities had been irresponsible; their books were not kept ding to any uniform system of accounts; and in many cases the fi- ial transactions which they recorded were of such a shady character the companies found it convenient to destroy the books after they had d their immediate purpose. One of the strong points of public regula- is the fact that under this system all utilities of a class within each are required to keep their books and records on a uniform basis and required to file with the state commission detailed annul reports which be checked by the employees of the commission and which, in any t, become public documents open to general inspection. Moreover, in period of sharply increasing costs which followed shortly after the gen- spread of the state regulation movement, the rate cases before the com- sions were in most instances started upon application by the companies selves for increased rates. This circumstance gave the commissions a rage for enforcing the provisions of the utility laws with respect to licity of accounts. It was easy to make compliance with this require- t a condition precedent to the consideration by the commission of any lication for increased rates. It is a widely held doctrine that many, if most of the evils of the world which result from personal wrongding be prevented if "pitiless publicity" is applied to the transactions where opportunity for wrongdoing lurks. Publicity of accounts as required the public utility laws is not limited to those jurisdictions where the in- rminate permit has been adopted as the characteristic type of utility chise. Nevertheless, in those communities where the indeterminate per- has been adopted publicity of the financial transactions of the utility is arded as one of the most effective and salutary guaranties of good be- ior on the part of the utility.

Continuing Power of Regulation. Another principal guaranty, that goes th the indeterminate permit system as adopted in Wisconsin is the con- uing power of regulation by commissions established for the purpose der broad and comprehensive grants of authority from the legislature. eed even from the contractual limitations formerly incorporated in fran- ise contracts, the state commission in theory has the power, upon com- int of the municipality or the consumers, or on its own motion, to com- l any utility operating within the state to render safe and adequate serv- at just and reasonable rates. It is assumed that with unfair discrimina- n prohibited the utilities are deprived of a weapon for evil doing almost important as general secrecy of financial records. It is the theory that e state commission, vested by the legislature with sovereign powers and sponsible only to the state at large, will be prepared at any time to in- stigate complaints from consumers or to pass upon applications by the mpanies themselves looking to a readjustment of rates and service, to e end that rates may always be just and reasonable and service may al- ays be safe and adequate. It is the theory that the commissions have pow- to protect the public from extortion by the companies, power to compel e companies to fulfill the obligations of monopoly by rendering adequate d expanding service, power to protect the investors from fraudulent mani- lation of securities by the companies themselves and power to protect e companies against the hostile attacks of selfish groups of consumers or litical demagogues. So, in theory, continuous state regulation is looked on as a primary guaranty of good behavior on the part of utilities operat- g under the indeterminate permit.

ıpter VI.—Where Publicity of Accounts Has Broken Down.

the preceding chapter I have pointed out the characteristic provision leterminate permit laws which, it is claimed, will serve as guaranties ɔd behavior on the part of the utilities. Since the privileges and bene- ɔcured to these corporations by the indeterminate permit are far-reach- ıd of great importance, it is necessary to inquire whether or not these ıties are practical and adequate. This question will be considered in ıd the following chapters.

ts Reported Must be Understandable and Pertinent. To be effective, ity of accounts must give the public access to the facts in such form hey can readily be understood and have a direct bearing upon the is- ıvolved in a controversy over service or rates. It almost goes with- ying that in the main the interests of the consumers of public utility e in a given urban community will not be adequately protected unless ımmunity itself in its organized capacity can intelligently and effective- uire into the pertinent facts and present the common cause before ɔmmission. It is beyond hope that individual consumers or groups of mers, except in very rare instances where large business interests are ed, will be able to formulate complaints intelligently and prosecute effectively before a state commission, especially in the teeth of the or- ɔd knowledge and interest of the utility whose revenues and profits stake. A uniform system of accounts with publicity concerning the ial transactions of the business becomes useful when the books are ınd the reports rendered clearly and definitely with respect to the of service or the area of service involved in the particular complaint ue.

ısolidation of Areas in One Operating Unit. Through the tendency utilities to consolidate so that the operations of a single corporation ɔt confined to the limits of one municipality, and very often not even ed to one class of utility service, an enormous obstacle has been thrown way of publicity of accounts as a practical guaranty of public knowl- ınd effective control over rates and service within a given area. As the books of a utility are kept as a unit with little or no regard to ipal boundary lines, and even where two utilities are operated by the company, the accounts are seldom kept so as fully and clearly to sep- the financial transactions relating to one kind of service from those ıg to another. Street railway and lighting utilities, when combined one corporate control, have power plants in common. Gas and wa- ilities sometimes use a common trench for the two kinds of distribu- ıains. Gas and electric utilities share the same office building and istrative organization. In fact, it would be hard to find a case where pany owning and operating two distinct utilities in the same com- y keeps its records entirely separate for the two classes of service; it does in some form keep them separate, it has to do so by virtue ɔortionment or allocation of investment and expenses which is more ɜ intricate and arbitrary. In any event, where there is such an ap- ınment or allocation, complainants with respect to rates or service, the

l of a local utility through contract, some of the construction costs or operating expenses which appear upon the books of the local utility termined by self-serving arrangements in the corporate family. Such ements cannot be accepted in good faith by a group of consumers or icipality representing the consumers, but on the other hand, it is a of infinite difficulty and expense to get behind the surface facts ed on the books of the local company. How infinitesimal are the ces of an individual city as compared with those of the American ione & Telegraph Company, for example. Under such conditions, ıtile it is for a single municipality to try to get at all the facts neces- or an intelligent and unbiased determination of the issues in a local ase.

ıs, publicity of accounts, as it has been developed under the policy of regulation of privately owned and operated utilities, falls pitifully short purpose as a guaranty of adequate service at reasonable rates. When ıes to interstate operation and intercorporate connections with hold- ɔmpanies and management organizations, even the state commissions elves do not have broad enough jurisdiction, territorially or from the ɔoint of corporate activity, to get at the facts which publicity of ac- ı as a simple theory is supposed to guarantee as the first requisite of ısful regulation from the public point of view.

theory, which has the greatest support in reason and experience, might easily represent 20 or 25 per cent of the total undepreciated cost of utility properties. On the basis of 15 billions of dollars investment this difference would be at least three billion dollars and at the rate of return ordinarily allowed to public utilities under regulation would mean a difference of $200,000,000 a year in the amount allowed to them as a return on investment; and this in turn means a corresponding difference in the amounts to be collected through rates from the consumers of the country in the aggregate. It is not difficult to draw the conclusion from a broad general survey of the issues involved that the state, in attempting to control the financial operation of the public utilities and to limit their charges and curtail their profits in the public interest, is undertaking a job so difficult as to test the very foundations of government.

Breakdown of Regulation. The development of the policy and machinery of state regulation as applied to public utilities, not counting the initial period of minor experimentation that preceded the enactment of the Wisconsin and New York public utilities laws, has now covered a period of nearly 20 years and has spread out territorially to include most of the states of the Union, as well as the District of Columbia and the insular possessions. It it true that the powers conferred upon the commissions nowhere quite measure up to the ideal requirements of the situation and in many jurisdictions fall far short of the powers which might be conferred by the legislature and which in fact are necessary if state regulation is to have a complete and final test as a policy of government. Notwithstanding these inconsistencies and imperfections in the utility laws of the country, the experiment with state control has gone on for a long enough time, over wide enough area and has been applied broadly enough to public utility activities to enable us to see the inherent difficulties and weaknesses of this system of control. In this discussion it must always be kept in mind that under the indeterminate permit, with its Wisconsin corollaries, the protection of the public while private operation continues is dependent almost wholly upon the efficacy of state regulation; so that in discussing the strength and weakness of state control, we are throwing light upon the merit of the indeterminate permit as a franchise policy. It cannot be successfully disputed that state regulation has failed in practice and broken down in theory to a greater or less extent because of certain difficulties largely inherent in the system, which may now be considered. It is unnecessary to pursue the subject into the highways and byways of experience for the purpose of bringing to light all of the minor difficulties which have been experienced in the practical application of regulatory systems. It will be enough to point out the major difficulties which are to a large extent inherent in the problem of public control under American conditions. We may now consider these difficulties seriatim.

(1) **Commission's Statutory Powers Limited.** In the first place comes the limitation of the statutory powers of the regulatory commission to which reference has already been made, and the limitation of the commission's technical and practical ability to cope with the financial and operating problems of the utilities from the outside. Obviously, where jurisdiction is limited, either by contractual provisions in franchise grants, or by failure of the legislature to confer upon the commission powers of control as broad as the utilities' activities, the commission will be handicapped in its work of regulation; and unable to develop a comprehensive and far-reaching policy based upon a consideration of all the facts and applicab[illegible]

to all the branches of public utility relations. One illustration drawn fro
the branch of regulation which has to do with the issuance of securities
found in the fact that ordinarily a state commission is given no power
compel a utility to readjust its capital account by scaling down the amo
of stock and bonds already outstanding, even though they may be gros
in excess of the investment or of the value at the time of the investigatio
The regulation of security issues as a rule is limited to a control of t
new securities put upon the market for the purpose of getting new capit
It is obvious that where a company is overcapitalized with respect to i
true investment, new securities, even though issued for cash at par, im
mediately they are out, partake to a certain extent of the unsoundness
the securities previously issued. This is absolutely true unless all new s
curities are issued in classes by themselves, neither coordinate with n
junior to the old securities. The attempt to raise new money by the i
suance of new bonds or by the issuance of new stock that will appear to b
free from the infirmities of bonds and stock already out, gives rise to ma
of the extremely complicated and almost fantastic financial structures th
characterize present day utility financing. The more complicated the stru
ture is, the greater is the tribute that must be paid to the bankers in floatin
calling and refloating securties, and a cursory view of the effect of regul
tion seems to indicate that it is very doubtful, whether regulation has i
fact lowered the cost of new money for public utility enterprises at all.

In many jurisdictions the commissions have not even had the authorit
to compel a readjustment and reduction of the securities outstanding whe
a utility is being reorganized after having gone through bankruptcy.
the commission in every case had the broad power to compel the utility
readjust its outstanding securities to an approximate agreement with th
amount of bona fide investment, or with the amount of the actual value of
the property recognized as a basis for rate making and public purchase, it
would be in a much better position to make its control of security issues
consistent, effective and salutary.

No Control Over Interstate Activities and Holding Companies. Another limitation upon the powers of the state commissions arises, not so much from incomplete state legislation as from the fact that the utilities in many cases carry on interstate activities and participate in interstate commerce, which is not subject to the jurisdiction of the state authorities. In a still greater number of cases the utilities operating within a given state are subject to control by business corporations known as holding companies or management concerns incorporated in other states and, in any event, not directly subject to the jurisdiction of the commission that has control over the operating company. While it is true that in rate cases the utilities are always maintaining the position that everything pertinent to the issues of the case is shown on the operating company's books and records and that the holding company is merely the stockholder into whose private affairs the state has no business to inquire, this claim is technical and theoretical. In fact, the holding company often performs many of the functions of operation and, particularly, the holding company controls the financing of the utility so that there can be no free consideration and adjustment of the utility's affairs without the commission having actual and complete jurisdiction over the holding, as well as the operating, company. This is quite
ossible where the holding concern is a foreign corporation and is prac-
impossible because of the magnitude and complexity of its opera-
erever the holding company or the management corporation is a

oncern located in one of the financial centers and having control over tilities scattered everywhere. As already pointed out, where allocation or pportionment of investment or expenses becomes necessary, the regulatory authority, in order to be sure of the part, has to have knowledge of he whole, and in the case of the vast, wide spreading utility systems of the ountry this would make it necessary for a great many different states to ake valuations and examine accounts of the whole of the affiliated system of properties, although the individual state is concerned in the end nly with the property used for local purposes.

The utilities are eloquent in defense of the holding company and management company system. They never tire of pointing out the great theoretical advantages of actual consolidations or of the concentration of financial control and of certain aspects of operating management. It is apparent, however, that the tendency to consolidation is fostered to a large extent by personal and selfish interests not conducive to the public welfare and often directly inimical to it. Through consolidation in the various forms which have been characteristic of utility development, the utilities are more and more enabled to escape first from effective local regulation and later even from effective state regulation. Many actual consolidations and many of the intricate organizations built up for the control of widely separated utilities are the result of manipulation by individuals not interested primarily in rendering public service, but in exploiting public service for their own profit through the manipulation of securities. It is apparent that, under effective public regulation, the utility business with its profits limited and its practices supervised is a field in which get-rich-quick artists can not work advantageously. It does not offer the opportunities for the building up of vast personal fortunes. If men are anxious to get immensely rich in a short time, they will steer clear of the utility field if, in fact, the investment in the utility business is treated as property devoted to public service and if, in fact, the utilities are held to their obligation to make the rendering of public service their first concern. It is only by successfully resisting the theory of public regulation that the ambition of individuals to make fortunes in the utility business can be gratified and the holding company and the management corporation are devices promoted largely for the purpose of making it possible for individuals to achieve their financial ambitions, nowithstanding the conditions of regulated public service theoretically applicable to all utilities.

(2) **Regulation More Difficult Than Operation.** The effective regulation of a great business enterprise, such as a public utility, is inherently more difficult if undertaken from the outside than the direct operation of the utility. Those who operate have intimate and detailed knowledge of the facts. If they have the will to render adequate service at reasonable rates, they can do so more easily than enybody else can compel them to do so against their will. To a great extent regulation cannot be effective unless the regulatory authority duplicates the work of the operating company in important branches of management and particularly in the details of accounting analysis and financial control. It is naturally more difficult and expensive to get the facts from the outside than to develop them from the inside. The result is that a regulatory commission, unless it depends improperly upon the facts and figures submitted by the utilities without adequate analysis and checking, is compelled to go to enormous expense in getting the data essential to the effective performance of its function. The utilities in keeping their books and in making up their reports to be filed

cs into a big lecture room and emits wisdom for the benefit of several hun- l students in much the same way that the rain falls on everybody, the just the unjust alike. But state regulation of public utilities cannot be made ctive just by the lecture system. There must be individual investigation, ly of home conditions and appropriate individual help and correction; and public utility classes are too big.

4) **Utility Politics in Commission Regulation.** For a good many years utilities generally have been loud in their denunciation of the system ocal control and in their praise of the scheme of control through state missions, alleging that under local control the people who consume the ice are permitted to say how much they will pay for it, and self-seeking ticians depending upon the votes of consumers are inclined to make the lation of rates and service a football of politics regardless of what is ible or equitable in the premises. The utilities give utterance to the ry that state regulation means impartial and intelligent regulation; the state commission will be free from responsibility to the selfish de- ds of consumers or to the political demands of local demagogues, and cially if the commissioners are appointed to office for long terms with- being subject to removal except upon charges that would justify the achment of a judge, these bodies will develop expert intelligence and cise a sort of superhuman courage and independence, all for the good glory of the commonwealth. It is well known, however, that the estab- ment of a system of state regulation to the extent that it has removed utilities from the field of local politics, has transferred them to the of state politics. The only way the utilities can be kept out of politics, , state or national, is by letting them alone and allowing them to do as please. The moment that any governmental authority seeks to ex- e the power of regulation with the purpose of limiting utility profits requiring utilities to render public service against or beyond their will o so, the utilities themselves will get into politics. Under a system ate regulation they have great advantages as compared with the posi- they are in under local regulation. The tribunal before which they ap- is relatively remote from the point where the service is rendered or ates charged with respect to which complaint is made, and relatively from the immediate pressure of the consumers whose interests are di- y involved. The very advantage which the companies have in present- he facts of the case, in the way that I have already pointed out, tends to ase the respect which they are able to command in their appearances e the commission. Public serice commissioners are only human. As iduals they are subject to the assiduous demonstrations of respect which y counsel usually indulge in; and the men that appear before them as senting the utilities, either as lawyers, engineering experts, financial ts, or managers, are usually the highest priced and most successful of their class in the community. They not only are able to wear good es, indulge in the attractive luxuries of life and display the personal s which often come with wealth and social position, but they are also of power in politics and finance.

wards Offered by Utilities for Technical Service. The utilities are not figuratively speaking, to take public service commissioners up into a mountain and show them the kingdoms of this world. They have a penchant for employing ex-governors, ex-city attorneys, ex-judges, ythings that have been honored with public office and, by reason of distinction, acquired fame among their fellowmen, and it is not at all

be charged to operation and, therefore, that the city had no sufficient interest to go further in its inquiry.

The Roll of Honor at the Counsel Table. By the time the permanent valuation and rate proceeding came on for hearings the special counsel, who had been successful in preventing the city's inquiring into these political expenditures, had been elevated to membership in the United States Supreme Court and his decisions before the court were cited at length by his former fellow counsel as authority in binding the commission in certain branches of a rate case. The company's counsel actively participating in the proceeding before the commission consisted of three men. At the head of the table sat a lawyer who had been a judge of the Supreme Court of Minnesota and who enjoyed the distinction of being called "Judge" after the American custom under which a man once a judge is always a judge, once a commissioner always a commissioner, once a governor always a governor. The lawyer who was most active in cross examination of the city's witnesses was a leading state senator who for many years had filled the double role of counsel for the Twin City companies and influential member of the majority party in the state senate. He had participated in the proceedings at the time of the passage of the street railway control act and his vote was recorded in favor of it. Before the commission, as elsewhere, he was known as "Senator." The third lawyer at the counsel table on the company's side was a man who, when the emergency proceeding was before the commission in 1921, was a leading and active member of the commission itself and had undertaken personally to direct the experts on both sides as to the manner of the preparation of their case for presentation before the commission. A few months before the hearings on the valuation proceeding commenced, this man had resigned from the commission and shortly after the hearings started he was introduced to the commission as associate counsel for the company. During the period covered by the hearings this ex-member of the commission, at the beginning and close of the day, at the noon recess, or during the brief recesses in the midst of the morning and afternoon sessions, made himself at home going in and out of the commission's inner office as if he were still a member of the commission itself.

In the discussion of the indeterminate permit as worked out in Wisconsin, I have already called attention to the fact that three chairmen of the Wisconsin Railroad Commission, who attained great distinction in the field of regulation, successively left the public service to go directly into lucrative employment at the hands of great utility interests, national in scope. The practice indicated by these instances drawn from the experience of Minnesota and Wisconsin is rather the rule than the exception where men have shown marked ability or otherwise attained prominence as public servants in the regulatory field. Without the benefit of a search warrant, instances could be cited from the experience of New York, California, Ohio, Indiana, Illinois, Missouri and Virginia.

(5) **Jug-handled Jurisdiction of the Federal Courts.** The final circumstance that makes impossible the ultimate success of public regulation of privately operated utilities, whether such regulation is undertaken by state or by local authorities, is the one-sided jurisdiction of the federal courts with respect to utility cases. The theory of the law is that the power of regulation is vested in the state to be exercised either by the legislature itself or by the municipality or by a state commission established for the purpose, as the constitution and laws of the state may direct; whereas under the federal constitution the utility corporations representing the rights of vested

ither the city or the company from the commission's decision to the district court of the county in which the street railway operated and for a urther appeal from the district court to the supreme court of the state. As a part of the scheme of cooperation between the state and the local authorities in the regulation of street railway companies, under this Minnesota law it was provided that the city should be a party to every proceeding instituted before the commission by the company and that where a permanent rate was to be fixed, the city should employ an expert, make a valuation of the property, examine the company's books, study its operating conditions and present to the commission a full and detailed statement of the facts as found by the city, preliminary to the commission's judgment upon the issue involved. In order not to burden the general taxpayers with the costs of rate controversies, the law provided that the reasonable and necessary expenses of the city in preparing its case for presentation to the commission, within a rather liberal maximum amount to be spent in any one year, should be recoverable from the street railway company concerned and that when paid by the company this cost should be charged as an operating expense.

The Companies Fly to Their Haven of Refuge. However, in the Duluth, Minneapolis and St. Paul cases, as soon as the commission had rendered its decision, the companies, unwilling to follow the procedure prescribed by the law which they themselves had promoted, immediately jumped into federal court, claiming confiscation and demanding an injunction to prevent the commission from enforcing its orders. By following this procedure, the companies gained two great advantages. In the first place, whatever expense the city incurred in further litigation would be chargeable against the taxpayer and could not be recovered from the street railway company. The city, depending upon the provisions of the statute, and aiming to carry the litigation through the state courts, according to the procedure prescribed by the street railway control act, naturally made no provision in its budget for expenses of litigation which it had no reason to expect. In the second place, with the proceeding transferred to the federal court, the city was estopped from securing a review of the commission's decision on its merits with the chance that it might get judicial relief by proving that the commission's valuation or rate of return was too high, or in any event that the rates fixed by the commission were excessive. On the other hand, the companies, by the federal court maneuver, were able to put the cities in a position where they could not fight, even at their own expense, except to defend before the federal court the decision of the commission which they believed to be unjust and which they were seeking to have reviewed in the state courts, and where the utmost that the cities could gain in the litigation through the federal courts would be to hold the companies down to what the commission had given them, without any hope of getting the commission's decision modified in the public interest. Under these circumstances, in the Minneapolis and St. Paul cases the cities, although they had taken immediate steps to secure a review in the state courts of the commission's decisions, found themselves in a position where their only practicable recourse was to compromise with the companies on the basis of an acceptance of the commission's findings and a discontinuance of litigation all around. In these cases the commission had obviously gone as far as it could find any excuse for going in favoring the companies for the very purpose of preserving its jurisdiction and keeping the cases out of the federal court. Under conditions like this it is inevitable that state commissions will gradually be controlled more and more in their decisions by fear of the federal courts operating as company

Chapter VIII.—Where the Right to Terminate the Permit Breaks Down

The Right of Termination is Vital. The inherent limitations in publicity accounts as an automatic or semi-automatic regulator of the rates and rvice of public utilities, and the breakdown of state control as an affirmative regulator under conditions which cannot easily be remedied by legislaon, leave the final guaranty of the public interest under the indeterminate rmit of the Wisconsin type in the right of the municipality to terminate e franchise by purchasing the property for public operation. Usually this ght goes to the municipality in which the major portion of the property of e utility is located, but it is not necessary that the right to purchase should limited to the municipality; it may be vested in the state or in any transrtation or utility district created for that purpose. Therefore, when I re r to the right of the municipality to terminate the grant and acquire the operty for public ownership, I use for convenience terms indicating munipal ownership and operation without intending to confine their meaning technical ownership and operation by the municipality as organized for her local purposes. The emphasis here laid upon the power of the munipality to terminate the franchise and take over the property for public eration is in line with the fundamental definitions of the indeterminate rmit and with the characteristic declarations of the leaders in the utility ld who advocate the adoption of the indeterminate permit as a public pol. As we have already seen, the famous Massachusetts committee of 8, in reporting on the characteristics of the indeterminate franchise for eet railways in Massachusetts, characterized this type of grant as a "ten during good behavior," even though in Massachusetts the municipality s not compelled to purchase the property upon the termination of the nt. Later, at the inception of the modern state regulation movement in 7 in Wisconsin, as we have seen, Mr. Allen Ripley Foote described the e of indeterminate permit which is the main subject of discussion in this ort, as an exclusive and perpetual franchise to be enjoyed "during good avior only." In 1908, in a special report (1) to the Public Service Comsion for the First District of New York, Dr. Milo R. Maltbie, a member he commission, gave the following definition of the indetermante franse:

"The indeterminate franchise, or tenure during good behavior as it is sometimes lled, briefly defined, is a franchise which may be terminated by the proper authories at any time upon the payment of a fair compensation for the value of the propty thus taken, exclusive of franchise. There are many other provisions of importnce which are necessary to the practical operation of the plan * * * ; but the fundaental principle is the right of acquisition at any time at a reasonable cost. **This is e only way whereby a community can always and continuously control its own desnies and direct its own growth.** Government supervision of corporations is an effective weapon, but there are times when the desired results can be obtained only by e complete elimination of a given corporation or group of men, and then the right f purchase, to be followed by governmental operation or lease to another private orporation, is the only adequate remedy."

) "Report on The Indeterminate Franchise for Public Utilities," submitted December 29, 1908.

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Effect of Public Hostility to **Municipal Ownership.** The fact that the indeterminate permit has not promoted the policy of public ownership does not in itself prove that the right to terminate the permit is illusory. Many of those who oppose public ownership of public utilities as a general policy have been loudest in their praise of the indeterminate permit coupled with state regulation in the belief that such a system would prove so effective in procuring for the public adequate service at reasonable rates as to make a resort to public ownership unnecessary and unpopular. It may be that in some instances this result has been obtained, but the fact remains that in

many communities, partly as a result of the characteristic American attitude toward governmental enterprise and partly as the result of the assiduous propaganda against municipal ownership, which has been and is being carried on by the great vested interests in the utility field, the responsible representatives of the people in state and local government, as well as the unofficial leaders in the formation of controlling public opinion, have assumed the attitude that public ownership and operation in itself is a terrible evil, something to be avoided until the community gets into the last extremity of desperation. State regulation, service at cost franchises and now customer ownership have been brought forward as substitutes for threatened public ownership on the theory that almost anything will be better than public ownership itself. To the extent that this hostility toward public ownership as a policy, whether it be based upon fear, distrust or hatred, prevails in a community, the technical right of the city to terminate a franchise and substitute public ownership for private ownership and operation cannot in fact have any considerable weight as a guarantee of good service and reasonable rates under private ownership. Under those conditions the reserve right to terminate the grant is a sort of stuffed club in the hands of public officials or politicians who are charged with the responsibility on behalf of the public of negotiating new franchise contracts with the utilities or of exercising regulatory power over them. The utilities have been in the game long enough and are well enough organized so that a stuffed club no longer has any great terror for them. It is a good deal like the threatening gestures of a fond parent or teacher who is known to have a fixed horror for corporal punishment and who has never been known to inflict it. Under those conditions, the bad boy is not badly scared by the uplifted hand. To the extent, therefore, that this attitude of deeply grounded distrust toward the program of public ownership controls the thought of the community, or at least of the governing portion of the community, it cannot be expected that the indeterminate permit will in practice result in promoting the policy of public ownership or, for that matter, that the right to terminate the permit will in practice differentiate it in any significant way from a perpetual franchise. A stuffed club will not guarantee adequate service at reasonable rates where the stake is so tremendous as it is in the public utility business.

Milwaukee Unable to Achieve Municipal Ownership Notwithstanding the Indeterminate Permit. But after making due allowance for the effect of adverse public opinion upon the progress of the municipal ownership movement, it remains a fact that in communities where public ownership sentiment has proven its preponderance through various formal or informal expressions at the polls, the indeterminate permit of the Wisconsin type has not thus far been of any particular help in the realization of the aspirations of the people for the achievement of public ownership. Milwaukee was the first great city to have its street railway rates and service brought exclusively under the regime of state regulation coupled with the indeterminate permit. For a long period Milwaukee has had most of the time a Socialist administration, with the Socialists strong in the City Council and sometimes controlling that body. The opponents of municipal ownership claim that it is Socialistic, although the outstanding examples of municipal ownership in this country and in the British Empire have not been established through the activity of the Socialist party. The honors in this country are pretty well distributed among the Republicans, Democrats and Non-partisans. However, beyond question municipal ownership of public utilities is one of the planks which is included in the program of the Socialist party which in

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...Since this provision is not yet in ef-
...by the voters of the state is problematical and not to be de-
...for two years it is of no service to the City of Milwaukee at the present
time.

"It has been suggested that the City might construct competing street railway lines following the example of Detroit and disregard the present properties entirely. Aside from the questionable wisdom of such a course, it is not an alternative open to Milwaukee. Unlike the situation in Detroit, the street railway

ity in Milwaukee is operating under an indeterminate permit which amounts to perpetual franchise unless it is terminated in the method provided by the statutes. he City could not build a competing line without obtaining a 'certificate of convenience and necessity' from the Railroad Commission which would require a owing, to the satisfaction of the Commission, that the present utility cannot render lequate service. Your committee considers it beyond the range of probability that ch a certificate could be obtained.

"The only method of terminating the rights of the existing public utility companies by the purchase of their properties in accordance with methods provided by law, nd no practical method has existed heretofore by which the City could raise the nds for such purchase.

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"The question, therefore, as to the desirability of the public ownership of public tilities, for the present or immediate future, so far as the City of Milwaukee is conerned, is purely an academic question, since there is no practical method under the aw as it has existed by which such public ownership can be brought about.

"It was the consideration of this fact, among others, which led the Committee to nquire as to the feasibility of other methods of improving the public utility situation in Milwaukee, both by bettering the relations between the public utilities and the citizens of Milwaukee while the utilities are under private ownership, and by bringing about a situation under which the City can with less difficulty acquire such utilities at such time as the City may decide to do so."

Financial Obstacles to Municipal Ownership in Illinois. The obstacles the way of the achievement of municipal ownership in Milwaukee under Wisconsin indeterminate permit law are duplicated in a somewhat different form by the obstacles in the way of the achievement of municipal nership of street railways in Chicago, under the settlement ordinances of 07, notwithstanding the option reserved to the city to terminate them at y time by taking over the property. The debt limitation imposed upon ies by the constitution of Illinois is 5 per cent of the assessed valuation, e same as it is in Wisconsin, but the situation in Illinois is further complicated by the fact that assessed valuations under the general laws of the ate are only 50 per cent of the full value of the property. This has the fect of reducing the debt limit imposed upon the City of Chicago by the ate of Illinois through constitution and statute to 2½ per cent of the dermined value of taxable property within the city. Even if the law were anged to provide for assesments at 100 per cent of value, the increase efcted in the city's bonding capacity would be insufficient to provide for the quisition of the Chicago Surface Lines alone, without reference to the vated railways or to proposed subway construction. The Chicago settlent ordinances were negotiated in 1907 and ratified by the electors with understanding that the city would in fact have the financial ability to quire the street railways at any time through the issuance of the so-called ueller law certificates. These certificates were to be secured by mortgage the revenues and property of the utility alone, subject to the right of reclosure in case of default in the payment of interest or principal, and the ther right in the event of foreclosure vested in the purchaser to take possion of and operate the properties under franchise for a period of 20 years. ortly after the passage of the 1907 ordinances, the Supreme Court of Illiis in a test case ruled that the Mueller certificates, by reason of the fact at they would be secured by a franchise conveying the conditional right operate in the public streets, would in fact be a charge upon the general dit of the city and, therefore, would come within the 5 per cent limitation posed by the constitution, the same as if they were general city bonds. is decision destroyed the possibility of immediate municipal ownership in icago.

Chicago was so far committed to the policy of municipal ownership of eet car lines that it included in the 1907 ordinances the provision for the

this, as in other respects, may advocate and approve of measures which ... fact are non-partisan in character. At any rate, the city of Milwaukee wi... its Socialist leanings has not been able to make any distinct progress towa... the acquisition of the chief public utilities operating in that city. There ... no reason to believe that this failure has been due to the popularity of sta... regulation under the Wisconsin utilities law. The City of Milwaukee r... peatedly and in different ways has manifested its dissatisfaction with th... existing regime. In 1919 the city appointed the Street Railway and Electri... Power Acquisition Committee to report upon the advisability of acquirin... the street railway and electric light utilities and a financial plan for thei... acquisition. This committee at the outset found that the city was in no fi... nancial position, under the constitutional and statutory restrictions of muni... cipal indebtedness in Wisconsin, to acquire outright the utilities owned an... operated by the Milwaukee Electric Railway & Light Company and its af... filiated concern, the Milwaukee Light, Heat & Traction Company, through... the procedure laid down in the indeterminate permit law. In its preliminary report, dated July 25, 1921, this committee said:

"We are requested to report on the advisability of the purchase by the City of the street railway and electric lighting properties.

"In the opinion of the Committee there are insuperable obstacles to the immediate acquisition of these properties under the methods now provided by law for such acquisition. While the city has the legal right to purchase them, this, at present, is an empty right, for the reason that the funds required for that purpose could only be obtained by the issue of one of two kinds of bonds and the issue of neither kind, in sufficient amount, is practicable at this time.

"Under the so-called 'indeterminate permit' law the City has the right to take over public utilities by condemnation. The issue of general city bonds to pay the purchase price fixed in the condemnation proceedings is impractical, because the City is now near its bond limit. The issue of sufficient bonds for the purpose would far exceed the legal limit, and hence this method may be dismissed from further consideration.

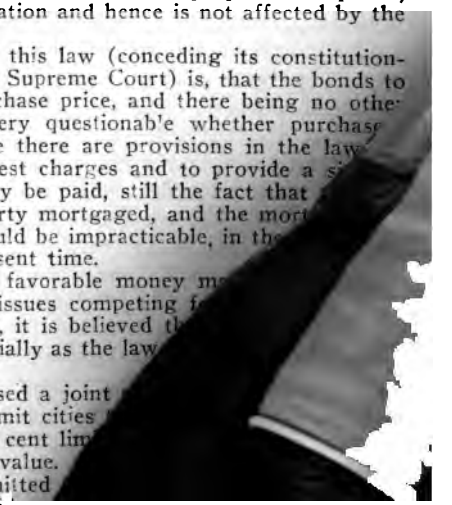
"Under Chapter 595, Laws of 1919, the City may issue a special form of bond for the acquisition of public utilities, which is made a lien on the properties acquired, and which does not become a general city obligation and hence is not affected by the five per cent limitation of city indebtedness.

"The practical difficulty of proceeding under this law (conceding its constitutionality and it has not yet been passed upon by the Supreme Court) is, that the bonds to be issued, being equal to the full value or purchase price, and there being no other security than the properties acquired, it is very questionable whether purchase could be found for this class of bonds. While there are provisions in the law setting up funds out of earnings to meet interest charges and to provide a s... fund, so that the bonds would in all probability be paid, still the fact that ... no other security for the bonds than the property mortgaged, and the mort... ing for the entire value or purchase price, it would be impracticable, in th... your Committee, to sell these bonds at the present time.

"The case might be different under a more favorable money m... existing conditions, with a multitude of bond issues competing f... the investor and offering high rates of interest, it is believed th... der the law referred to, could not be sold, especially as the law ... to six per cent.

"The legsilature has for the second time passed a joint ... change in the state constitution which will permit cities ... chase of utilities in excess of the present 5 per cent lim... tional 5 per cent of the municipality's property value. ... the state constitution must, however, be submitted ... carried by them before it becomes effective. S... fect and its adoption by the voters of the sta... termined for two years, it is of no service to ... time.

"It has been suggested that the ... railway lines following the example of ... perties entirely. Aside from the questi... alternative open to Milwaukee. Unlik...



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establishment of a street railway purchase fund, now called the Traction Fund, to which reference has already been made. The initial purchase price of the street railways brought under the settlement ordinances, including the suburban lines brought into the scheme a few years subsequent to 1907, was $55,775,000. The traction fund accumulated to December 31, 1925, amounted to approximately $43,450,000. The amount of the city's share in the earnings for the year ended January 1, 1926, and deposited in the fund under the terms of the ordinances in April 1926, was $2,119,120.19. The interest accruals are about $100,000.00 per month. This brings the traction fund up to a total, accrued within the first 19 years of the ordinance, of approximately $45,670,000.00. Meanwhile, through the process of rehabilitation, extensions and improvements, the purchase price of the properties during this same period had increased to $163,508,224, which includes, however, some $15,000,000 in the depreciation reserves, leaving the net purchase price of the physical properties at approximately $148,500.00. In other words, under the Chicago scheme, the purchase price had increased more than $92,000,000 while the fund available for purchase had grown to not quite $46,000,000. Thus the increase in the price of the properties was more fund up to a total, accrued within the first 19 years of the ordinance, of appears that the city has been diligently pursuing the will-o'-the-wisp, municipal ownership, but has been steadily falling behind in the race.

The Dever Traction Plan in 1925. In 1925 Mayor Dever and the City Council negotiated a new settlement ordinance, very comprehensive in character, which was described as a municipal ownership project. It provided for the purchase of the existing surface lines at the purchase price fixed under the settlement ordinances, as well as for the purchase of the elevated lines, and also provided a vast scheme of street railway and elevated railroad extensions and subway construction, all to be financed through the issuance of the so-called "Schwartz certificates." The plan assumed that certificates issued under the municipal ownership law of 1913, without the security of a mortgage on the public utility property or a franchise to take possession of the transportation system and operate it in case of default, would be valid and marketable, notwithstanding the debt limitation prescribed by the Illinois constitution. In the negotiation of the Dever plan the city officials deemed it necessary to put the operation and control of the municipal transportation system in a straight-jacket under a Board of Control in which the banks representing the certificate holders would have equal representation with the city itself. Thus, under this plan the city would have immediately come into the nominal ownership of the unified local transportation system paid for through the issuance of certificates constituting a lien upon the earnings of the system. The holders of the certificates would not only have had the power by resort to court proceedings to compel the management to fix the rate of fare at whatever figure might be necessary to provide for the payment of interest on the certificates and for their amortization within a period of 40 years, but also until more than 50 per cent of all the certificates issued, including those issued for street railway extensions, elevated railroad lines and subway construction, had been paid off, the certificate holders would have equal power with the city itself in the management of the property and in the development of the city's transportation policy. Under these conditions, although the plan was submitted by an administration elected on the issue of municipal ownership, ordinance was rejected by a decisive majority. Regardless of the merits Dever plan, and even assuming that the so-called Schwartz certificould be legally issued regardless of the debt limitation, the whole

tion in Chicago tends to illustrate the futility of the indeterminate permit as a guaranty of adequate service at reasonable rates, so long as the city is compelled to go to such lengths in devising a plan by which the control of the street railways could be effected and the franchises of the companies terminated.

Terminable Permit a Fraud Where Power to Terminate is Lacking. It is not necessary in this discussion to go into detail concerning the various devices that have been incorporated in constitutions, statutes and city charters, even in franchise ordinances, to give the municipality some practical financial ability to meet the conditions of purchase laid down in the typical indeterminate permit law. It is only necessary here to point out and emphasize the fact that the indeterminate permit, or, as it likewise is by motors euphemistically call it, the terminable permit, is a delusion and a snare, a political fraud and a betrayal of the public rights to the extent that it professes to give protection to the public through the right of the city to terminate the grant when the conditions of termination are such that, under constitutional and statutory provisions outside of the indeterminate permit law, the city is powerless to exercise the option theoretically reserved to it. This is the kind of legislation that keeps the word of promise to the ear but breaks it to the hope. From the point of view of municipal home rule and municipal ownership of public utilities, no indeterminate permit legislation can be accepted unless it is accompanied by or contains within itself the means by which the city can, without having to resort to indirection and subterfuge, actually procure the funds with which to finance the purchase of the utility properties whenever it desires to terminate the grant.

Importance of Local Control as Training School for Municipal Ownership. As a matter of politics and public opinion, the city can, if it will, rid itself of the controlling obsession against public ownership which in itself makes the reservation of the right to terminate a grant by embarking upon the policy of public ownership impracticable. From this point of view it is of great importance that, under an indeterminate permit during the continuance of private operation, the city shall share in a vital way in the control of the utility. The establishment of a system of exclusive state control, under which the municipality has to keep its hands off and become a mere spectator, tends to the atrophy of the established agencies of municipal government through which the administration of public utilities can be undertaken. It is of vital importance, therefore, under any indeterminate permit scheme, that the city should retain a sufficient share in the control of the business so that it will be convenient and necessary for it to develop in its own agencies a knowledge of the business and a familiarity with the property and its operating and financial conditions which would enable the city in an emergency, or in the event of municipal acquisition, to take hold of the problem in a practical and intelligent way. It would be hard to overemphasize the importance of this contact and training, for the reason that, if a utility has to be taken over, lock, stock and barrel, as a purely alien organization, the city will have no means of effecting the necessary changes in policy and point of view which are the only justification for the voluntary establishment of municipal ownership.

Devices to Confer Financial Ability on Cities. From the point of view of financial ability, the broad and easy guaranty of the city's power to acquire public utilities is the unrestricted power to issue bonds against the general credit of the city in sufficient amount to provide the funds necessary

for the purchase. It is not necessary that a general debt limitation, tra
tional in American jurisprudence, should be removed entirely. The ge
eral limit may be raised sufficiently so that utility projects can be financ
within the limit; or a special provision may be made for bonds to be issue
for utility purposes only within a prescribed but adequate limit; or a prov
sion may be made by which bonds may be issued for utility purposes withou
specific limit, on condition that the utilities be made self-sustaining; or
provision may be made for the issuance of certificates guaranteed by a firs
lien upon the earnings of the utility, coupled with the right on the part o
the certificate holders to compel through legal action the establishment o
rates sufficient to meet the fixed charges.

These possible devices with respect to the issuance of bonds are based upon the assumption that when a utility is acquired, it will be necessary to pay the full amount of the purchase price in cash. But in practice this may not be necessary. Almost every utility is subject to fixed term obligations which have been incurred under the regime of private operation. It is possible to provide that the city may take over the property subject to outstanding liens. It is also possible to provide that the city may take over the property by paying a certain amount down and then paying the balance in installments, as it was arranged by the City of Detroit in acquiring the city lines of the Detroit United Railway. Various devices are possible by which the city could reserve to itself the advantages of the easy payment plan as distinguished from the obligation to pay the full purchase price in cash at the time when the property is taken over.

Another possibility is the establishment of an amortization scheme to be put into effect immediately, by means of which the capital value or purchase price of the property will be gradually reduced out of earnings, or out of contributions from the public treasury during the continuance of private operation. The adoption of this plan means the definite adoption of the policy of ultimate public ownership and the putting of the machinery in motion to bring it about. If the amortization provision is optional or experimental or on too small a scale, it may prove to be ineffective, but beyond a doubt it would be possible in most cases to provide a plan through which the entire cost of the utility would ultimately be amortized out of earnings without any serious increase in the rates charged for the service.

Another possibility is a provision, such as we find in the Toledo and Akron street railway franchises, reserving to the municipality the right as an alternative to acquire the property under lease upon fixed terms for municipal operation. Such an arrangement would enable the city to get rid of a particular management whose temper and characteristics made its continuance incompatible with public peace and comfort. Under lease the rental to be paid might include not only a return upon the investment, but also an installment on the purchase price, so that ultimately, during the period of public operation, the transfer of ownership could be effected.

Another possible provision is one authorizing the city to designate a licensee with the power to take over the utility under appropriate terms and conditions, but for the reasons already given, I am inclined to the opinion that very little practical benefit can be expected from such a provision. I think it would be much easier to make effective provision for direct municipal purchase or leasing than to establish a scheme under which the city
in practice produce a new corporation ready and able to acquire the
and operate it in the public interest.

Chapter IX.—Legal Status of Municipal Ownership and Home Rule in Illinois

Constitutional Limitations. The present constitution of Illinois was adopted in 1870. While certain amendments have been proposed and ratified since that date, they are relatively unimportant. The constitution does not contain any general scheme for municipal home rule such as is found in many of the more recent state constitutions. It has no provision for home rule city charters and no provisions guaranteeing the right of municipal ownership of public utilities. It prohibits the organization and government of municipal and other corporations by special act which, with the absence of home rule, tends to put the cities of the state into a straight jacket. Looking in the direction of local self-government, the constitution contains one guaranty of importance with respect to street railways. This is found in Section 4 of Article XI which reads as follows:

> "No law shall be passed by the General Assembly granting the right to construct and operate a street railroad within any city, town or incorporated village, without requiring the consent of the local authorities having the control of the street or highway proposed to be occupied by such street railroad."

On the side of restrictions the constitution contains a provision limiting the bonded indebtedness of municipalities. This is found in Section 12 of Article IX in the following terms:

> "No county, city, township, school district or other municipal corporation shall be allowed to become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding five per centum on the value of the taxable property therein, to be ascertained by the last assessment for State and county taxes previous to the incurring of such indebtedness. Any county, city, school district or other municipal corporation incurring any indebtedness as aforesaid, shall before or at the time of doing so, provide for the collection of a direct annual tax sufficient to pay the interest on such debt as it falls due, and also to pay and discharge the principal thereof within twenty years from the time of contracting the same. This section shall not be construed to prevent any county, city, township, school district or other municipal corporation, from issuing their bonds in compliance with any vote of the people which may have been had prior to the adoption of this constitution in pursuance of any law providing therefor."

The amending clause makes it difficult for the people of Illinois to bring the constitution into harmony with changing conditions and keep it up to date by the process of piece-meal amendments; for the legislature is forbidden to submit amendments to more than one article at a time or to submit amendments to the same article oftener than once in four years. This restriction of the amending procedure is a serious obstacle in the way of procuring constitutional amendments which are called for primarily by the special conditions arising in a single community, such as the City of Chicago.

Supplementing the provisions of the constitution, the general laws of Illinois prescribe that no franchise for a public utility may be granted for a period of more than 20 years. The general laws also affect the constitutional restriction upon municipal debts by providing that property shall be assessed for taxation at 50 per cent of its true market value, thus reducing the effective debt limit from 5 per cent to 2½ per cent of the value of the taxable property within the limits of a given municipality.

The Municipal Ownership Law. With particular reference to the ge
problems of the ownership and control of public utilities, two impor
laws are on the statute book. One of these is the municipal ownership
of 1913 entitled "An Act to authorize cities to acquire, construct, own,
lease or operate public utilities and to provide the means therefor."
tion 1 of this Act provides:

> "The [illegible] State shall have the power, subject to the provisions of th
> [illegible] to acquire, own and operate any public utility the product or servi
> [illegible] to be supplied to the city or its i
> [illegible] purchase, furnish and sell to private persons or co
> porations the products or service of such utilities; to lease any such public utilit
> owned by the city to any corporation organized under the laws of this State for th
> purpose of operating such public utility for a period not longer than twenty years
> [illegible] the services rendered by such public utilities; and
> [illegible] rules and regulations in relation thereto."

As is made in Section 2, the term "public utility" includes transportatic
[illegible] refrigeration, heating, lighting and pow
[illegible] lines for the transmission of oil or gas, war
[illegible] A city may proceed to acquire or construct a publ
[illegible] until the ordinance providing therefor has been sut
mitted to the electors and approved by a majority of those voting thereon
[illegible] proceed to operate such a utility for the benefit of privat
[illegible] to operate has been submitted to the elector
[illegible] been approved by them, but without such ref
[illegible] electrical energy for private use from a plant
[illegible] its own use and also may sell water tc
[illegible] municipally owned plant. Moreover, the legal-
[illegible] municipality at the time of the passage of the
[illegible] lease a public utility owned by a city
[illegible] is subject to an optional referendum upon
[illegible] the voters. It is lawful for any city to
[illegible] a private company a reservation of the
[illegible] use at or before the expiration of the
[illegible] that, if the grant is not renewed and
[illegible] is not exercised, any other grantee to
[illegible] acquire the existing property. A city is
[illegible] agreement with the owners or by
[illegible] the general law for taking private prop-
[illegible] the voters and subject to the
[illegible] a municipality may issue
[illegible] for the purpose of acquiring a
[illegible] issued is limited to the purchase price
[illegible] As an alternative, the city may issue pub-
[illegible] for the purpose of constructing or acquiring a utility.
[illegible] obligation of the city at large, but are to
[illegible] the revenues of the public utility property. As in
[illegible] public utility certificates issued is limited
[illegible] property plus 10 per cent. In order to secure
[illegible] the city is authorized to mortgage the
[illegible] property and the mortgage carrying with it a franchise to main-
[illegible] the property for a period of not more than 20 years in the
[illegible] of the mortgage, but no public utility certificates
[illegible] except with the approval of the voters upon referendum.

Another section of the law provides that the expense of acquiring a public
[illegible] purchase, condemnation or construction, or such part of the

...se as may be just and reasonable, may be assessed upon the property ...real estate especially benefitted thereby, if any, under the ... special assessments for local improvements.

...With respect to rates, the law provides that the ... service rendered by any such municipal utility ... have a revenue sufficient to bear all cost of ... to meet interest charges on bonds and certificates ... fund, and to permit the accumulation of a surplus ... be sufficient to meet all outstanding bonds ...

Accounting in Municipal Utilities. The provisions of the law with respect to municipal accounting are contained in Section 15 of the Public Utilities Act:

"Any city, when owning any such public utility, shall ... utility distinct from other city accounts and ... and complete financial results of such city ownership ... the case may be. Such accounts shall be so kept as to show ... city of the public utility owned; all costs of ... ment; all operating expenses of every description, ... the amounts set aside for sinking fund purposes, ... furnished for the use of such public utility with ... as nearly as possible, the value of such service, and also the ... service rendered by the public utility to any other city department, ... such accounts shall also show reasonable allowances for interest, depreciation and insurance, and also estimates of the amount of taxes that would be payable against such property if owned by a private corporation. The city ... cause to be printed annually for public distribution, a report ... results, in form as aforesaid, of such city ownership or ... The accounts of such public utility, kept as aforesaid, shall be ... each year by an expert accountant who shall report to the city ... his examination. Such expert accountant shall be selected in ... city council may direct, and he shall receive for his service such ... be paid out of the income or revenues from such public utility, as the city may prescribe."

The Public Utilities Law and Home Rule. The law for the regulation of public utilities in Illinois in its present form was approved June 29, 1921. It is known as the "Illinois Commerce Commission Law." It applies to privately owned and operated utilities, but does not apply to municipal plants. In general the law gives to the Illinois Commerce Commission the usual powers conferred upon public service commissions with respect to accounting, capitalization, intercompany agreements, valuations, rates, service rules and regulations, extensions, certificates of convenience and necessity, safety devices, separation of grade crossings, etc. As a concession to the sentiment for municipal home rule, particularly in the City of Chicago, Article VI of the law includes optional provisions for municipal home rule. Under this article the power to regulate service and fix rates, except in the case of railroads used as part of a trunk line system, may be taken over in the first instance by any city by popular vote, but in order to bring the matter up for decision a petition signed by 25 per cent of the legal voters of the city voting at the last preceding election for mayor is required. The proposal to establish municipal home rule may not be submitted oftener than once in two years. After a city has taken over these powers it may in its discretion, upon a like vote surrender them, and in that event the state commission will be reinvested with its power of control under the general terms of the act. However, when a city has assumed control of the utilities operating within its boundaries, its powers of regulation are preliminary rather than final. Any utility dissatisfied with the city's action may appeal to the state commission and, upon review of the city's action, the commission may make such determination as seems to it just and reasonable and in

this connection it is invested with all the powers which it enjoys in the first instance in those communities where the municipal authorities have not assumed control.

Municipal Ownership Fully Recognized in Theory. From this summary and analysis of constitutional and statutory provisions pertaining to the ownership and control of public utilities in Illinois, it is apparent that the theoretical right of municipal ownership and operation of any or all of the standard public utilities is fully recognized. A municipal ownership man in the State of Illinois does not need to apologize for the faith that is in him. In fact, his policy not only stands approved by the law-making power of the state in broad general terms, but, if anything, it has a presumption in its favor as compared with private ownership and operation, for the reason that the state has not subjected municipal utility plants to stringent regulation and control by state authority, such as it theoretically provided for privately owned and operated utilities under the Illinois Commerce Commission Law. Also, although the indebtedness of municipalities for all purposes is limited by an old constitutional provision to 5 per cent of their taxable property, the terms of the municipal ownership act indicate that it has been the purpose of the legislature to provide ways and means by which a municipality will be able in fact to finance the purchase or construction of utility plants, provided that these plants are operated on a self-sustaining basis. True, these financial powers which the legislature has attempted to confer upon the cities have been seriously curtailed by judicial interpretation in connection with the constitutional debt limit, but it is none the less apparent that the legislature has tried in good faith to give the cities effective financial power for the acquisition or construction of municipal utilities. As a practical matter, if the cities were in favor of it, the legislature could go a step further by requiring that all taxable property shall be assessed at 100 per cent of it true value, instead of 50 per cent as now prescribed. If the cities were united in the matter the legislature could also take a forward step by submitting to the electors of the state a constitutional amendment increasing the debt limit for municipalities or removing from the debt limit bonds issued for municipal utility purposes.

When it comes to the general question of municipal home rule in the control of utilities, the attitude of the legislature seems to have been less favorable. The commerce commission law in the first instance sets up a system of exclusive state control over privately operated utilities. The effect of this system has been to abrogate many of the most important features, for example, of the Chicago settlement ordinances adopted in 1907 after long and painful negotiations; and at the present time it is doubtful whether any important provisions can be inserted in franchise contracts negotiated between a municipality and a company which would be enforceable in the face of contrary regulations by the state commission. For this reason at the present time, in negotiating a detailed franchise contract, an Illinois municipality is merely going through motions that are for the most part false and futile. Under the so-called home rule article of the commerce commission law, all that the cities gain is the right to initiate action. Once a city has issued an order affecting a public utility, the matter may be transferred back to the commission and it will then be free to act the same as if the municipality had not intervened at all. This is a mockery of the principle of municipal home rule.(1)

(1) The present status of the law in Illinois with respect to Municipal Ownership and Home Rule of utilities, and the recent proposals for constitutional and legislative changes in relation are ably and interestingly discussed by Corporation Counsel Francis X. Busch and Counsel C. Morton Doty, in their pamphlet entitled "Vital Considerations relating and Proposed Illinois Legislation," already cited.

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ent that in Illinois at the present time municipal home rule with respect utilities can be achieved only through municipal ownership; and in general the considerations favorable to local control also point strongly to municipal ownership and operation as the right policy.

The introduction of the Barr bill, so-called, in the Illinois legislature in 25 was a step toward the entrenchment of privately owned utilities in the ities of the state. Following the policy of the commerce commission law, e Barr bill if enacted would have deprived the municipalities of the last stige of control over privately owned utilities operating in their mid t. The Barr bill did not in itself go to the extent of granting the private utili ies a legally protected monopoly as against the municipalities themselves, but it is reasonable to assume that, if the utilities were successful in entrenching themselves in state legislation through the enactment of this measure, it would not be long before a supplementary bill would be brought forward to deprive the municipalities of their present right to construct and operate municipal utilities on their own account without first securing the consent of the state commission.

As I have pointed out the indeterminate permit has advantages as against the perpetual franchise or the limited term franchise and these advantages are not limited to the utilities' side of the game if the indeterminate permit is adopted in some form consistent with municipal home rule and designed to promote the policy of municipal ownership. My own view is that public ownership and operation primarily through municipal agencies of the standard utilities having their origin in urban conditions, is fundamentally the right and necessary policy in the development of a virile municipal democracy under a free government. I regard the standard public utilities as primarily urban and local in their relations to public service and for that reason I am firmly of the opinion that the doctrine of municipal home rule with respect to them should be assiduously cultivated and persistently applied with due regard to the lesser but important interests of the state at large in the control of utility operations.

l and praiseworthy practice, and in some jurisdictions ....
iat a municipal plant shall charge rates sufficient so that interest
king fund charges on the public debt incurred for utility purposes
th be met out of earnings. This is making the rate payers pay for the
y after purchase. There is no logical reason why a city desiring to
he policy of municipal ownership, if financially unable to buy the
and pay for it at once in cash, should not make the rate payers pay
n advance of the transfer of title, provided it is clearly established that
iblic equity in the property shall increase to the extent of the amor-
)n of capital.

ssibilities of Street Railway Amortization. Mr. Fielder Sanders, for
ig time city street railroad commissioner of Cleveland, made the state
t that during the eight years from 1910 to 1918 inclusive, under the Tay
)lan of service at cost in Cleveland, the car riders saved enough in fares,
ompared with the five-cent fare which they had previously been paying
which the car riders in most other cities continued to pay during that
iod, so that if these savings had been put into a sinking fund they would
:e been sufficient at the end of the eight-year period to pay off the en-
e capital account of the Cleveland Railway. This illustrates what could
ve been accomplished in the street railway business under favorable con
tions in pre-war times without inflicting any great hardship upon the car
ders in the way of high fares. To effect amortization of capital values in
ne street railway business under present economic and operating condi-
ions is more difficult. I have already pointed out that the City of Chicago
nas accumulated a traction fund of approximately $45,000,000, including ac-
cruals to January 31, 1926. If the city, instead of taking the money and putting
it in the bank or investing it in part in securities bearing low rates of in-
terest, had applied it year by year to the amortization of the purchase price,
thus acquiring an increasing equity for the city in the capital account of
the surface lines, the amortization effected to January 31, 1926, would have
been about $10,700,000 more than the amount of the traction fund on that
date. Assuming that the settlement ordinances are extended for another 20
years, and the city's share in the earnings continues to be around $2,000,000
a year, the policy of amortization through which the city would get the
benefit of the initial 5 per cent return guaranteed to the companies would
result in 1947, the end of the second franchise period, after a total of 40
years of operation, in an effective amortization of capital value to the extent
of $228,000,000. Starting now with the traction fund as it is, if it were im-
mediately applied to the amortization of the capital account and if the amor-
tization policy were followed year by year, the city would be in a position
to achieve the retirement of close to $200,000,000 of street railway capital
value by January 31, 1947.(1)

Amortization Plan Effective if Mandatory and Liberal. Where the legal and practical restrictions upon the city's power to create debt make it difficult to acquire outstanding utilities under the option to purchase which a terminable permit gives, I am of the opinion that the way to progress toward the ultimate solution of the utility problem is through the establishment of an effective amortization plan devoting to this purpose a sufficient amount taken from earnings year by year to make the scheme work. Amortization should not be tentative, optional or infinitesimal. If it is adopted on a sufficient scale actually to reduce the capital account, its tendency will

(1) Data in support of these conclusions will be found in Appendix "A".

be to increase the stability and security of the investment and to reduce cordingly the amount of return which private capital demands for its se ice. Thus, the amortization scheme, if given a little push at the start, v presently be able to finance itself, adding little or nothing to the burden the rate payers. Ultimately, the amortization of the capital value v mean that the dead hand of overcapitalization will no longer control the nancial policies of utilities and that the city in future generations will be a position freely to expand its utility services in accordance with the nee of the time without being loaded down with the unpaid burdens of an earl period.

The indeterminate permit offers great opportunities for cooperation in t development of public utility service, but these opportunities are con tioned upon the acceptance by the private companies of a subordinate stat while they continue in the business. They are conditioned upon the recc nition that the utilities exist for the consumers rather than the consume existing as a convenient source of exploitation for the companies and th employees. To make possible the spirit of cooperation that will utilize t indeterminate permit for beneficial purposes, it is necessary that pub service shall in fact be recognized as the dominant motive in the whc scheme of public utility development and operation. Profits strictly limit but reasonably liberal will be permitted to follow in the wake of service, b at the outset it is necessary to settle the question whether the man is drivi the horse or the horse running away with the man.

APPENDIX A.

The Chicago Traction Fund and the Possibilities of Amortization Out of Earnings.

In response to the writer's inquiry as to the rates of interest earned on the Chicago Traction Fund, the following letter was received from City Comptroller O'Brien, with the accompanying table:

CITY OF CHICAGO
Department of Finance

March 30, 1926.

Mr. Delos F. Wilcox,
436 Crescent Street,
Grand Rapids, Michigan.

Dear Sir:

In reply to your letter of March 26th, I am enclosing a statement of the Traction Fund as of January 1, 1926, showing the amounts received from the railway companies each year, the interest earnings, and also the expenditures each year. These expenditures represent the expenses of the various traction and subway investigations. All of the City's money in the hands of the Treasurer, belonging to all of the various City funds, is considered in the aggregate and invested in certain securities as allowed by the law.

The following shows the Traction Fund's proportionate share of the

various investments, amounting to a total of $43,451,571.35.

Anticipation Tax Warrants and Loan to Corporate Fund, 4% and 2½%, as established by City Council . .	$17,135,675.
City of Chicago Bonds, rate 4%	1,239,372.
U. S. Liberty Bonds, rate 4¼%	5,150,002.
Cash in Bank, rate 2½%	19,926,520.

These rates have varied from time to time, but the Traction Fund has received each month the actual amount of interest earned.

Yours very truly,

(Signed) Martin J. O'Brien,
Comptroller.

Jan. 30, 1926.

TRACTION FUND

Year	Deposits of Ry. Companies	Interest Earnings	Expenses Paid	Balance at End of Year
1908	$1,556,809.71	$ 30,054.11		$1,586,863.82
1909	1,384,449.10	53,361,32		3,024,674.24
1910	1,285,262.76	79,747.99		4,389,684.99
1911	1,704,185.88	99,542.91	$ 24,642.17	6,168,771.61
1912	1,869,738.00	133,415.48	66,201.81	8,105,723.28
1913	2,529,033.81	292,103.21	51,418.67	10,875,441.63
1914	2,697,792,42	293,866.74	2,450,97	13,864,649.82
1915	2,557,042.13	479,809.37		16,901,501.32
1916	1,664,424.34	397,234.99	203,882.02	18,759,278.63
1917	2,745,654.59	434,220.40	76,820.99	21,862,332.63
1918	2,035,352.74	765,681.56	14,764.16	24,648,602.77
1919	381,782.99	837,444.81	22,331.08	25,845,499.49
1920		891,827.36	181,221.25	26,556,105.60
1921		983,847.12	43,872.36	27,496,084.36
1922		1,000,005.57	57,790.71	28,438,295.22
1920	1,447,362.93			
1921	2,144,616.19			
1922	2,934,112.35			
1923	1,663,046.95	984,758.78	76,063.39	37,536,129.03
1924	2,117,215.26	1,255,809.46	74,554.86	40,834,598.89
1925	1,608,507,41	1,157,798.48	149.333.43	
	$34,326,389.56	$10,170,529.66	$1,045,347.87	$43,451,571.35

Note: The deposits due April 10, 1920-1921-1922 and 1923 were not accepted by the City until October 20, 1923.

The interest earnings and expenses have been accrued up to December 31, 1925.

From the Secretary of the Board of Supervising Engineers Chicago Trac- he following information was received in a letter dated April 9, 1926:

th respect to the City's 55 per cent. for the fiscal year 1925 and rchase price as of January 31, 1926, which you ask for, they are ows:

go Railways Co.	$44,258,[illegible]
go City Railway Co.	55,819,970.27
net & South Chicago Ry. Co.	11,628,884.51
Southern Street Ry. Co.	1,800,000.34
TOTAL	$163,508,224.03

City's 55%—Year ended Jan. 31, 1926

icago Railways Co.	$ 1,382,241.93
icago City Railway Co. (South Side Lines) .	736,878.26
TOTAL	$ 2,119,120.19

ıe above total is the net; that is, the City's 55 per cent after hav ng :ted $2,932 which represents licenses paid in advance by the Com :s in accordinace with the Ordinances."

Traction Fund on January 1, 1926, amounted to $43,451,571.35, and ty's 55 per cent. for the last fiscal year, deposited April 10, was $2,- 20.19. The interest accumulations for the month of January would be oximately $100.000. Putting these figures together shows that the fund, ting the percentages accrued for the last fiscal year, would amount to oximately $45,670,000.

o get a comparative figure on the basis of a five per cent amortization n, I have set up a table covering the same 19-year period, made up in the lowing manner:

At the end of the first year I have credited the capital account with the nount of the city's 55 per cent. of the net earnings and treated this as nortized capital representing the city's equity in the capital value.

At the end of the second year, in addition to the city's 55 per cent. of net ırnings, I have set up interest accretions on the amortized capital at 5 per ent and putting these two items together have applied the total to the ırther amortization of capital, thus increasing the amount of the city's quity. I have used 5 per cent because that is the minimum return paid to ıe companies on capital value before the division of net earnings with the ty.

Later on when expenses were incurred that were charged against the raction Fund, I have deducted the amount shown each year from the city's 5 per cent, plus interest accretions available for amortization. Following ıis through to January 31, 1926, including the city's accrued 55 per cent for he preceding fiscal year, I find that the cumulative amortization of capital uring the first 19-year period on this basis would have been $56,369,295, as ompared with $45,670,000 under the Traction Fund method actually used. This is a difference of $10,700,000 in favor of the amortization plan. I can- ıot see that there would have been any serious difficulty in using the amor- ization plan instead of the traction fund plan if the city's negotiators in 907 had understood it and insisted upon it.

The Amortization Table follows:

CHICAGO TRACTION FUND ACCUMULATED AT 5% INTEREST AND USED FOR AMORTIZATION OF CAPITAL

Prepared by Delos F. Wilcox

Year Ended Jan. 31	City's Percentage of Net Earnings Accrued to Jan. 31, but not deposited until April 10 of each year	Interest at 5% on Previously Amortized Capital	City's Share of Earnings Plus Interest on Amortized Capital	Expenses Paid Out of Traction Fund	Amount Available for Amortization	Cumulative Amortization
1908	$ 1,556,809.71		$ 1,556,809.71		$ 1,556,809.71	$1,556,809.7
1909	1,384,449.10	$ 77,840.49	1,462,289.59		1,462,289.59	3,019,099.3
1910	1,285,262.76	150,954.97	1,436,217.73		1,436,217.73	4,455,317.0
1911	1,704,185.88	222,765.85	1,926,951.73		1,926,951.73	6,382,268.7
1912	1,869,738.00	319,113.44	2,188,851.44	$ 24,642.17	2,164,209.27	8,546,478.0
1913	2,529,033.81	427,323.90	2,956,357.71	66,201.81	2,890,155.90	11,436,633.93
1914	2,697,792.42	571,831.70	3,269,624.12	51,418.67	3,218,205.45	14,654,839.38
1915	2,557,042.13	732,741.97	3,289,784.10	2,450.97	3,287,333.13	17,942,172.51
1916	1,664,424,34	897,108.63	2,561,532.97		2,561,532.97	20,503,705.48
1917	2,745,654.59	1,025,185.27	3,770,839.86	203,882.02	3,566,957.84	24,070,663.32
1918	2,035,352.74	1,203,533.17	3,238,885.91	76,820.99	3,162,064.92	27,232,728.24
1919	381,782.99	1,361,636.41	1,743,419.40	14,764.16	1,728,655.24	28,961,383.48
1920	1,447,362.93	1,448,069.17	2,895,432.10	22,331.08	2,873,101.02	31,834,484.50
1921	2,144,616.19	1,591,724.23	3,736,340.42	181,221.25	3,555,119.17	35,389,603.67
1922	2,934,112.35	1,769,480.18	4,703,592.53	43,872.36	4,659,720.17	40,049,323.84
1923	1,663,046.95	2,002,466.19	3,665,513.14	57,790.71	3,607,722.43	43,657,046.27
1924	2,117,215.26	2,182,852.31	4,300,067.57	76,063.39	4,224,004.18	47,881,050.45
1925	1,608,507.41	2,394,052.52	4,002,559.93	74,554.86	3,928,005.07	51,809,055.52
1926	2,119,120.19	2,590,452.78	4,709,572,97	149,333.43	4,560,239.54	56,369,295.06
Total	$35,445,509.75	$20,969,133.18	$56,414,642.93	$1,045,347.87	$56,369,295.06	

The preceding table is a theoretical one based upon what would have happened under the Settlement Ordinances if the amortization plan had been adopted instead of the traction fund plan.

Carrying this idea a little further and assuming that the traction ordinances will be renewed for another period of 20 years from February 1, 1927, and that the City's 55 per cent of the net earnings for the current fiscal year and for the 20-year period under the extended franchises will amount to $2,000,000 a year, the theoretical amortization on the 5 per cent interest basis, without allowing for any further expenses chargeable against the traction fund, would accumulate as follows to January 31, 1947:

Amount of amortization of capital Jan. 31, 1926	$ 56,369,295.06
With no further payments of percentages this amortization of capital by the process of compounding at 5% during the period of 21 years, by Jan. 31, 1947 would amount to	157,042,747.28
An annuity of $2,000,000 per annum from the percentage payments applied to amortization and compounded at 5%, at the end of the 21 year period would amortize additional capital in the sum of	71,438,503.62
Thus, the total capital value amortized on this plan during *the period* of 40 years ending Jan. 31, 1947, would be .	$228,481,250.90

This computation is based upon a combination of what might have been the past and what might be in the future. If, instead of the theoretical ortization during the first 19 years, we start as of Jan. 31, 1926, with the ual amount of the traction fund, including the percentages for the last al year accrued but not paid, and an estimated accumulation of $100,000 interest during the month of January, 1926, we could start with $45,670,- 54, the approximate actual amount available for amortization by the use he traction fund. This would be roughly $10,700,000 less than the theo- cal amount which might have been accumulated under the 5% amortiza- plan. On the basis of this smaller sum, if the amortization plan were into effect as of January 31, 1926, the total amount of capital that could mortized up to 1947, on the assumption that $2,000,000 a year would be e available from the City's percentages of net earnings, would be ap- imately $30,000,000 less, so that the grand total of capital amortized the expiration of the second franchise period in 1947 would be ap- imately $198,000,000.

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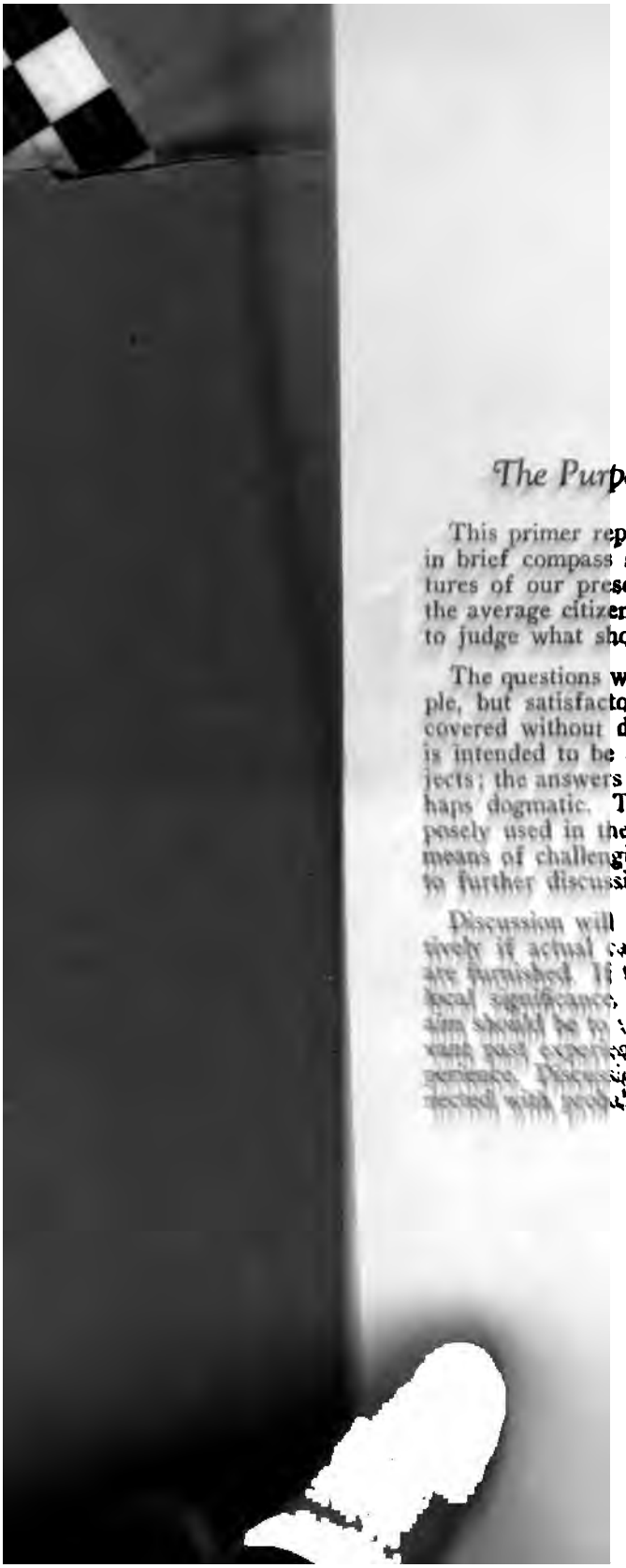


The Purpose of this Primer

This primer represents an effort to present in brief compass some of the important features of our present industrial order so that the average citizen will be in a better position to judge what should be done about it.

The questions which follow are indeed simple, but satisfactory answers cannot be discovered without diligent study. This primer is intended to be an introduction to the subjects; the answers proposed are terse and perhaps dogmatic. This method has been purposely used in the hope that it might be the means of challenging thought and hence lead to further discussion and study.

Discussion will always proceed more effectively if actual cases, illustrations, examples are furnished. If this illustrative material has local significance, so much the better. The aim should be to relate the discussion to relevant past experience and possible future experience. Discussion becomes vital when connected with problems at hand.

1. *What enterprises are owned and operated by the government of the United States?*

   Answer: The Federal Government owns and operates the Army and Navy, the Post Office, the Prisons, the Forestry Department, Bureau of Mines, Public Lands, Reclamation Service (Irrigation Plants, which also furnish power) Public Forests, Libraries, National Parks, Alaska R. R., Roads and Bridges, Printing and Publishing Plants, Postal Savings Banks.

2. *What enterprises are owned and operated by the State Governments?*

   Answer: The State governments own and operate Public Forests, Parks, Waterways, the Highways, Libraries. In cooperation with localities, they own and operate the greatest of our public responsibilities, the Schools, Elevators and Mills, Docks, Printing Plants, Universities and Colleges, Asylums, Hospitals, Penal Institutions, Warehouses.

3. *What enterprises are owned and operated by Counties?*

   Answer: Counties own and operate Highways, Bridges, Hospitals, Sanitoria, Penal Institutions, Schools, Homes for Aged and Dependent, Public Health Departments, Demonstration Farms, Public Welfare Departments.

4. *What enterprises are owned and operated by cities?*

   Answer: Municipalities own and operate Water Supplies, (3045 in U. S.) Parks, Playgrounds, Beaches, Police Systems, Gas and Electric Plants (109 Gas Plants in Canada and U. S., 2581 Electric Lighting Plants in U. S.), Street Railways (15 cities in U. S., with nearly 800 miles of track and serving 3½ million people), Libraries, Museums, Schools, Colleges and Universities, Auditoriums, Theatres, Public Markets, Fire Departments, Sewers, Fuel Yards, Ice Plants, Ports, Piers and Terminals, Printing Establishments, Abbatoirs, Baths, Comfort Stations, Ferries, Milk Supplies, Heating Plants, Power Plants, Laundries, Funeral Establishments.

ownership of railroads, water-power (hydro-electric plants), coal-mines, insurance and banking. The tendency toward public ownership of street railways, gas, electricity, water supplies increases.

(*Example*: In 1880 there were 293 private water supply plants and 305 publicly-owned; in 1896 the ratio was 1726 private and 1470 public; in 1915, 1355 private and 3045 public. Over 40% of the city electric lighting plants are now municipally-owned; in 1900 the percentage was 22.)

NOTE—*It should be noted that both the Labor Party and the Liberal Party of Great Britain are advocating some form of public ownership of agricultural land. Likewise the Agricultural Economics Research Institute of Oxford.*

9. *What are the general arguments used in support of the above proposed extension of public ownership?*

Answer: In regard to Railroads, Coal-mines and hydro-electric power plants the arguments are briefly: (a) these are all public necessities and their products or services should not be exploited for profit; (b) high prices due to inefficient management or to elimination of real competition render these products of services unavailable to those who need them most; (c) regulation has been for the most part ineffective; (d) the first two of these enterprises (railroads and coal-mines) are now inefficiently-managed; (e) other governments have operated utilities of this class successfully and in the interest of the public at large. Public insurance and banking are urged upon the same grounds with additional emphasis placed upon the fact that insurance and credit are universal necessities; these are services which should be available to all, and should not therefore yield large profits to a few.

10. *On what grounds is this extension of public ownership opposed?*

Answer: On the general ground that private ownership is more efficient, more free from 'graft,' that politics and business should not be mixed further, and that it will raise taxes.

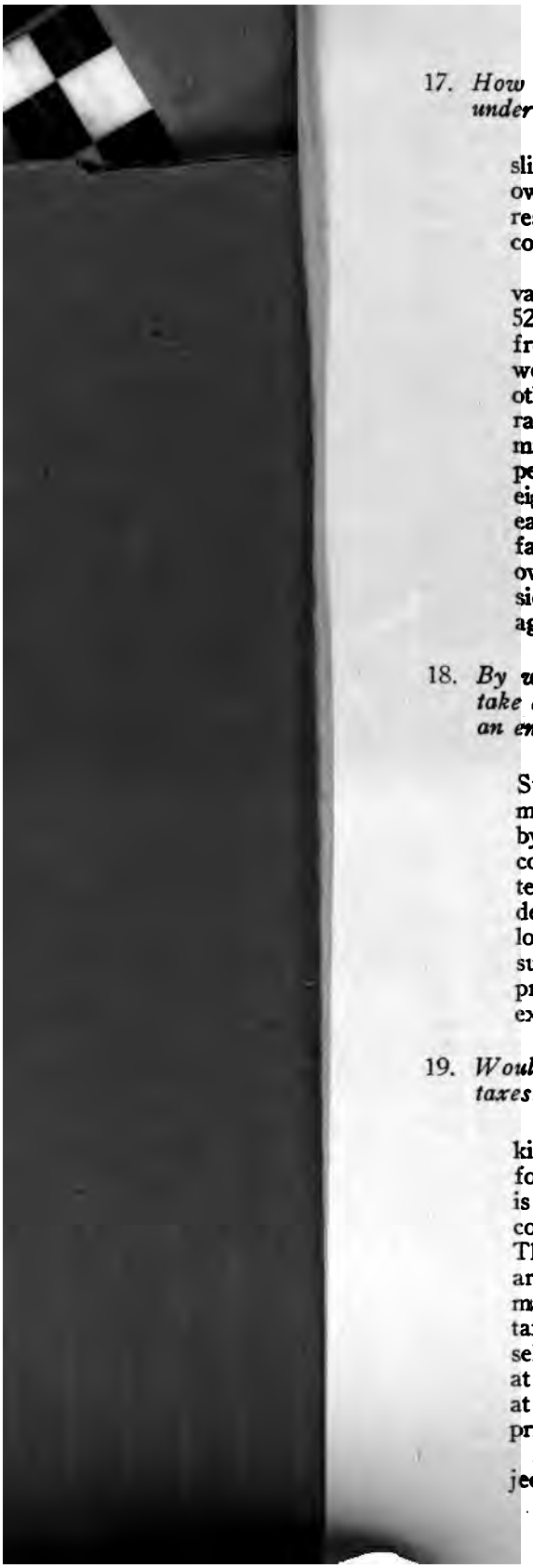
but merely assumed control for a specific purpose and for a temporary period. The same officials remained in power and hence this was in no sense a test of government ownership. It is also frequently claimed that the Post Office must be regarded as a failure since its fiscal year often closes with a deficit. This argument obviously overlooks the fact that the policy of the Post Office is to reduce costs to a minimum.

15. *Have there been notable failures under private ownership?*

Answer: In 1922 the sum lost through commercial failures was $210,538,256; through bank failures $77,735,551. R. G. Dun and Company estimate that there were 23,676 commercial failures in 1922 and 277 bank failures. Numerous railroads and industries are now in the hands of receivers.

16. *What conclusions may be drawn from a comparison of private and publicly-owned railroads?*

Answer: Fifty-four nations now have public ownership of railways. Outside the United States, one-half of the total railroad mileage of the world is under government ownership, and more than one-half of the population of the civilized world enjoys the services of publicly-owned and operated railroads. Germany has over 36,000 miles of publicly-owned railroads, Canada 23,000 miles, Mexico 12,000 miles, British East Indies 29,000, et cetera. On the whole, government ownership of railroads has proved satisfactory although there are several experiments which are still in the balance. Government ownership tends to reduce costs by unification of terminals, diminished advertising, reduction of salaries of high officials, and by savings in passenger and freight services by eliminating re-routing. In the United States, the State of Georgia and the City of Cincinnati own railways; the Federal Government owns and operates railroads in Panama and Alaska and also in connection with two reclamation projects.



17. *How do wages and hours of labor differ under private and public ownership?*

Answer: Wages in general are slightly higher under government ownership when compared with corresponding industries in the same country.

Example: In San Francisco the privately-owned railway pays from 46 to 52 cents per hour, the working-day is from 8 to 10 hours, and employees work seven days each week. On the other hand, the municipally-owned railways of the same city pay a minimum wage of $5 per day (62½ cents per hour) and the employees work eight hours per day for six days of each week. Conditions of labor are far more stable under government ownership and there is usually a pension system which provides for old age.

18. *By what methods can the Government take over the ownership and operation of an enterprise?*

Answer: The Federal Government, States, Counties and Municipalities may initiate publicly-owned projects by (a) starting a new business in competition with privately-owned enterprises, (b) condemning property deemed necessary for public use—allowing the courts to determine the issue of necessity and also the just price, or (c) by purchasing outright existing establishments.

19. *Would public ownership greatly increase taxes?*

Answer: This will depend upon the kinds of projects undertaken. Schools, for example, furnish a service which is not supposed to be sold and must consequently be paid for by taxation. The Post Office pays for itself; there are occasional deficits but these are made up from receipts and not from taxes. Government enterprises which sell products should pay their way and at the same time furnish their goods at a lower price than is possible for private business.

Example: The Hydro-Electric project of the Province of Ontario furn-

ishes electricity for 55% less than the people paid in 1923 under private ownership. This enterprise has cost the people nothing in taxes, saves them over $5,000,000 per year in cost of electricity, and allows numerous people to use electrical power who could not afford to do so under private ownership.

20. *Can governments operate enterprises as economically as corporations?*

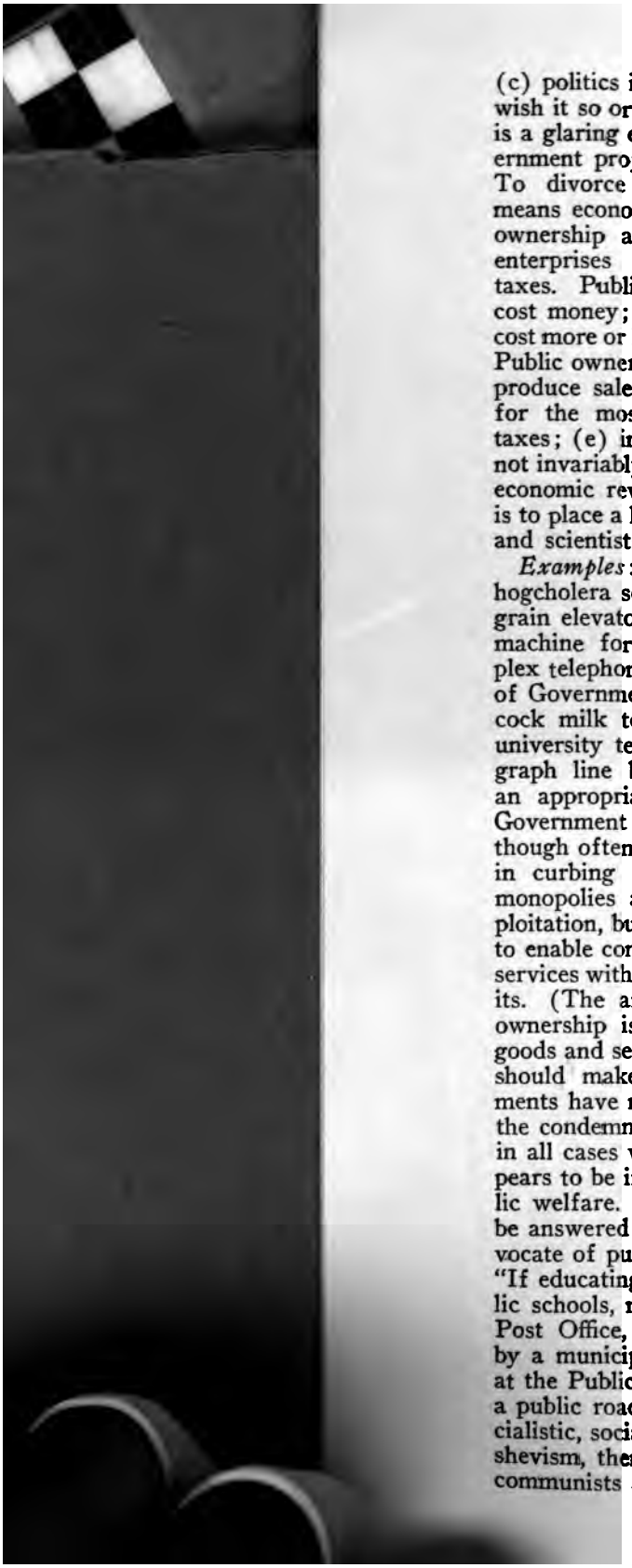
Answer: Governments have certain very definite advantages over private business. They can, for example, (a) borrow money at lower rates because of greater security, (b) provide more regular employment, (c) furnish better service since they are not obliged to make profits for investors. With these advantages they are able to produce goods and services more economically than individuals or corporations. Wherever a fair and free trial is afforded, as for example, the Ontario Hydro-Electric project, San Francisco street railways, Omaha water supply, Parcels Post, et cetera, government ownership has demonstrated its superior efficiency.

21. *What are the principal arguments against public ownership?*

Answer: Opponents of public ownership usually base their arguments on assumptions like the following: (a) the presumed efficiency of private enterprise, (b) the dangers of favoritism in public ownership, (c) politics should not be mixed with business, (d) public ownership will increase taxes, (e) public ownership will stifle initiative and invention, (f) government regulation is better than ownership, (g) private property must not be confiscated, (h) public ownership leads to socialism.

22. *Are these valid arguments?*

Answer: Most of these arguments are mere presumptions: they do not withstand the test of facts. (a) Many government enterprises have demonstrated their superior efficiency; (b) favoritism is, of course, a danger, but it exists also in private ownership;



(c) politics is in business whether we wish it so or not; the protective tariff is a glaring example of how the Government projects itself into business. To divorce politics from business means economic anarchy; (d) public ownership and operation of certain enterprises will certainly increase taxes. Public schools, for example, cost money; the question is: do they cost more or less than private schools? Public ownership of enterprises which produce saleable goods need not and for the most part do not increase taxes; (e) initiative and invention do not invariably result from a desire for economic rewards and to believe this is to place a low estimate upon science and scientists.

Examples: Smokeless gunpower, hogcholera serum, moisture-tester for grain elevators, rotary printing press, machine for measuring tides, multiplex telephone—these were inventions of Government employees. The Babcock milk tester was invented by a university teacher, and the first telegraph line became possible through an appropriation by Congress. (f) Government regulation is valuable, although often made useless by evasion, in curbing certain gross abuses of monopolies and other forms of exploitation, but it cannot go far enough to enable consumers to buy goods and services without paying also for profits. (The argument for government ownership is that there are certain goods and services from which no one should make profits.) (g) Governments have made legal provisions for the condemnation of private property in all cases where such procedure appears to be in the interest of the public welfare. (h) This argument may be answered by quoting a leading advocate of public ownership who says: "If educating our children in the public schools, mailing our letters at the Post Office, drinking water supplied by a municipal water works, reading at the Public Library and riding over a public road—if these things are socialistic, socialism, communism or bolshevism, then all of us are socialists, communists and bolsheviks."

Public Ownership Literature

Public Ownership—A 450 page, illustrated book—a Survey of Public Enterprises, Municipal, State and Federal, in the United States and Elsewhere, by Carl D. Thompson, Secretary of the Public Ownership League of America. Thomas Y. Crowell Company. (This volume was published during 1925, and is no doubt the most complete and up-to-date compendium of facts and principles available. It contains an extensive bibliography, numerous illustrations and tables of statistics. Price $3.20.)

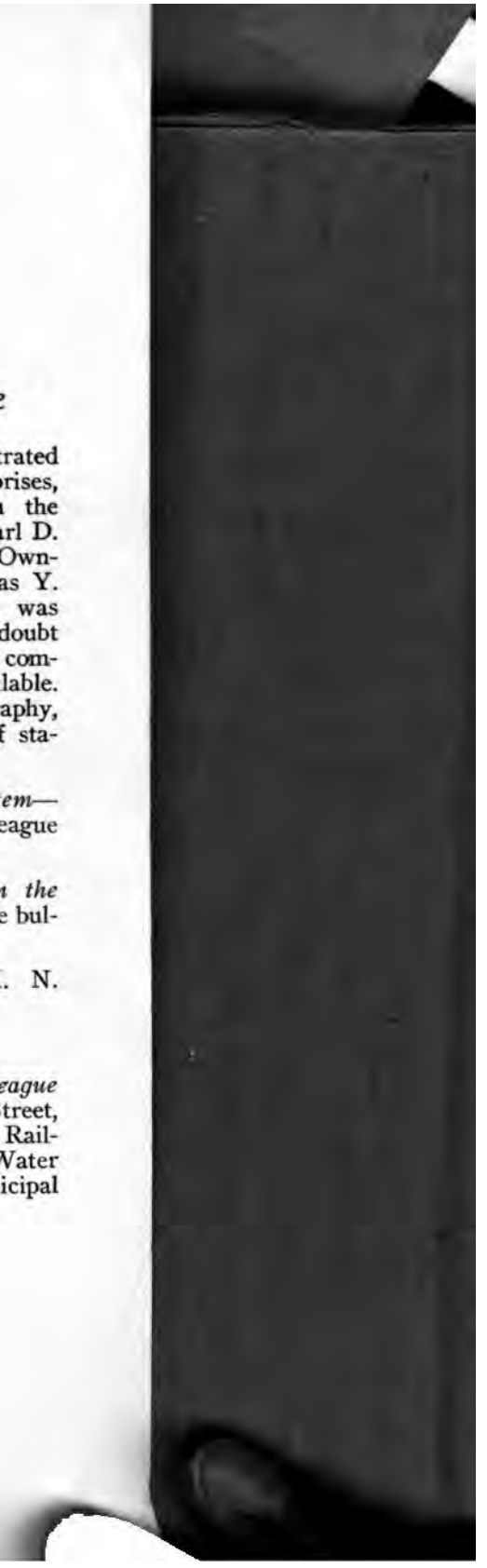
The Ontario Hydro Electric Power System—bulletin of the Public Ownership League in preparation.

Municipal Light and Power Plants in the United States and Canada—300 page bulletin.

Municipal Year Book—Edited by M. N. Baker.

United States Census Reports.

Publications of the Public Ownership League of America, 127 North Dearborn Street, Chicago, on Public Ownership of Railways, Mines, etc., Municipal Water Works, Municipal Railways, Municipal Light and Power Plants, et cetera.



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of America

WHAT IT IS—The Public Ownership League is a non-partisan educational organization for the advancement of the public ownership and democratic control of basic utilities and natural resources.

WHAT IT IS FOR—To secure the efficient operation of public utilities already publicly owned; just and reasonable conditions for all public employes, and the public ownership of additional public utilities and natural resources as far and as fast as it can be made practical.

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Government Railroads.—Samuel O. Dunn, in his book on "Regulation of Railways," [2] says, "the Canadian state railways are an utter financial failure." He submits many pages of statistics, facts and figures to substantiate the claim. Secretary of Commerce, Herbert Hoover, of President Coolidge's cabinet,[3] has referred to "the failures of government ownership," mentioning the Canadian railroads among the rest.

Answer.—The facts are that the railroads in Canada which now constitute the government owned system, were for the most part originally privately owned and under private ownership had been operated at such great losses that they became bankrupt and were unable to operate any longer. In other words, it was under private ownership that the Canadian railroads became an "utter financial failure." And this failure of private ownership and enterprise was so complete that the Canadian people were compelled to take over the roads or be without service in a very large portion of the country.

In taking over the roads the government was compelled to assume the debts and excessive capital accounts that had resulted from private ownership and management. As a result, the first years of government ownership and operation showed a deficit. However, the government operation is now steadily reducing these deficits, rehabilitating and extending the lines and making an increasing success of one of the largest railroad systems in the world.[4]

Mr. Dunn also refers to the government railroads of New Zealand as a failure.[5] And yet the Official Year Books of New Zealand show that the government roads are steadily gaining in extent and success. In 1923 the net revenues

[2] "Regulation of Railways," by Samuel O. Dunn, D. Appleton and Company, New York, 1918. See also his "Government Ownership of Railroads," for other objections to government ownership of railroads.

[3] "Government Ownership," an address delivered in Washington, D. C., September 29, 1924, published by various organizations, apply to National Electric Light Association, 29 West 39th St., New York City.

[4] See page 80 of present volume. Also Annual Report of the Canadian National Railroads for 1923.

[5] "Regulation of Railways," page 245.

There is one particular example of the superiority of public ownership to private that is so striking that it should be mentioned. At Niagara Falls, we have the private hydro-electric developments on the American side of the river, operating under practically the same identical conditions side by side with the public developments on the Canadian side. In practically every essential respect, the public developments have shown their superiority over the private both in efficiency and in general results, as we have shown.[20] But perhaps the most striking example of superior efficiency of the publicly owned system is that shown by the Ontario Hydro-Electric Power Commission in developing a 305-310 foot head as over against a 210 foot head by the hydraulic plant of the Niagara Falls Power Company on the American side. This is achieved by the Ontario system by going above the falls to Chippewa and taking the water from that point at practically the Lake Erie level, carrying it in a great canal past the falls and the whirlpool, to Queenston and then dropping it to nearly the Lake Ontario level. The result of this superior efficiency is that the Chippawa-Queenston plant develops about 31 horse-power for each cubic foot of water used per second, whereas the hydraulic plant of the Niagara Falls Power Company on the American side develops about 21 horse-power for each cubic foot of water used per second. In other words, for the same quantity of water used the public plant develops fifty per cent more power than the private plant.

III. Public Ownership and Politics

It is charged by the opponents of public ownership that politics will interfere with and make impossible the successful operation of publicly owned utilities; that the constant change of administration, due to the shifting of political control, will make it impossible to maintain an efficient management of publicly owned utilities; and that

public ownership will enormously increase the number of public employees who will thus constitute a great political machine of such power that it will dominate the country. Messrs. Hurley and Hoover are particularly disturbed by this consideration. Mr. Hurley, by assuming that all of the public utilities are to be publicly owned and counting the employees of "all the steam and electric railways, the electric light and gas systems and the whole range of public utilities, together with the present Government and state employees" and then multiplying that number by three, we would have 21 million voters in the public employ.[27]

And Mr. Hoover discussing this phase of the subject declares that "we would have nearly 3 million jobs to be given out and a political debauchery unparalleled in all history."[28] Similar objections are met with quite generally in the opposition to public ownership.

Answer.—Where are the facts to substantiate these claims? We had 282,636 employees in the United States postal service in 1922. No one has ever shown that these men or their organization have debauched the American government or even attempted to do so. Nor has it ever been shown that these men have used their political influence or even their organized voting strength effectively in influencing the government in its control of the postal service. There are many who feel that the postal employees could legitimately use their political strength even more than they have attempted to do in improving conditions in the postal service, not only for themselves, but for the welfare of the service as well. At any rate, there is certainly no evidence in the postal service of the dangers of political control which the opponents of public ownership urges so strongly.

Again, we have 1,483,233 teachers employed in the public educational system of this country. Has any one ever shown that these public employees have unduly influenced the course of political events, either in the country at large, or in their local communities? No evidence of that sort

[27] What Public Ownership Really Means, page 7.
[28] "Government Ownership," page 9.

has been submitted by the opponents of public ownership, and we believe that such evils are practically non-existent. And, finally, there are employed by the public agencies of the United States Government, and by the municipal and state governments of the country, many hundreds of thousands of other public employees. And yet no one of the opponents of public ownership has ever cited any striking example of the use of political power and influence by these forces in any way detrimental to the interests of the people at large. So it would seem that there is no evidence available in our experience thus far to substantiate these objections.

With reference to the claim that with the change of administration which is inevitable under our system of political control, it is impossible to secure continuity and therefore efficiency in the management of publicly owned public utilities, it may be said that here again evidence is lacking. It is true that with the change of administration the postmaster general, who is at the head of the postal service, may be changed, but the great majority of the employees are under civil service and therefore are not subject to change with changing administrations. The same is true with regard to an ever-increasing proportion of public employees, both in the national, state and local governments. The fire departments, the police departments, and increasingly other departments of local state and federal governments are under civil service and are therefore protected from the evils of political interference.

In this connection, two quite striking cases which have recently come to our attention, may be cited. (1) In connection with a study of the management of municipal water works in the state of Wisconsin, in 1923, the writer had occasion to address a questionnaire to a great many cities in that state. One of the specific questions that was asked was: "Has your municipal plant been kept out of politics?" There were 26 cities from which replies were received, some of them from city officials, but a considerable proportion of them from the officials of the leading banks in the respective cities. *In every single case these cities*

replied that their plants had been kept out of politics. And it is interesting to note that in many cases those who replied took occasion to emphasize the importance of keeping public plants free from political interference, and that this was one of the evils to be avoided, but in every case finished by saying that so far as their plant was concerned, it had not been affected.

(2) Later in the same year, December, 1923, the writer had occasion to make a similar study with reference to the management of municipally owned lighting plants in the state of Michigan. A questionnaire was addressed to a number of cities owning and operating electric light and power plants in Michigan, and again this specific question was asked: "Has the plant been kept out of politics?" Nineteen cities replied to this question. Sixteen stated definitely that politics had had no influence or effect upon the management of their plants. One replied that politics had influenced the plant "more or less," and another that it had influenced the plant "to a certain extent." Only one of the nineteen stated definitely that politics had interfered with the management of the plant. In this connection the reply of the largest city in the state of Michigan, Detroit, is of particular interest. The General Superintendent stated "in the revision of the city charter the civil service has been created from whom all employees are secured and through whom only employees may be dismissed." In other words, the employees of the public lighting plant are under civil service and therefore protected from political interference.

It should also be noted that the tendency everywhere in taking over public utilities of any kind, is to set up some form of non-partisan board or commission to whom is intrusted the management of the utility. This in itself removes the management and control of the utility from the evil effects of political changes and manipulation. And, finally, the fact that innumerable cases may be cited from all parts of the country where the superintendents or managing officials of publicly owned utilities have been kept in control for many years through every change of political

occasionally been amended. In several cities the newest principle of all in civic reform, namely, proportional representation, has been introduced. All of these changes, we believe, tend to more efficient government. At all events, they show that in so far as our forms of government may need changing in order to adapt them to the successful ownership and operation of public utilities, they may be changed, and are being changed.

V. Public Ownership and Taxes

It is objected that public ownership will greatly increase taxes. Mr. Hoover makes much of this objection saying that "every experience to date indicates that the tax payer will pay." [30] Nearly every opponent of public ownership raises the same objection.

Answer.—This objection assumes that the public utilities that are publicly owned will be inefficiently managed and will, therefore, not pay for themselves and will not yield sufficient returns to cover the cost of operation, the interest on the investment and a sinking fund to retire the capital account. But this assumption is false as we have shown in previous chapters throughout the present volume. The publicly owned public utilities have quite universally earned a sufficient income to cover all of these expenses, and in many cases, a handsome profit besides. The evidence heretofore submitted, therefore, will show that public ownership does not increase taxes, and that in many cases actually reduces taxes.[31]

In this connection it is important to note that the burden of taxation of which there is such a dread, comes not from the public ownership of public utilities, but from public enterprises that do not yield a revenue. And of all of the burdens of taxation, of course, by far the greatest is that due to war and the preparations for war. There

[30] "Government Ownership," page 7-8. See also page 11.

[31] ...ecially page 337 where we have referred to a number of ...icts that have no taxes at all, and in some cases, ... their citizens derived from publicly owned land

are also other burdens of taxation due to such necessary, but non-revenue producing enterprises as education, fire departments, police departments, sewers, etc. In contrast to all of this, public ownership of *revenue producing* enterprises not only pays for itself, but may, if it is deemed wise, be made to produce a profit, and as we have pointed out, often do. With this distinction between revenue producing and non-revenue-producing enterprises and utilities, it can be seen that public ownership need not in any way increase taxes except in those cases where, as a matter of public policy, it may be decided to carry on a non-revenue-producing enterprise.

There is another phase of this problem of taxation that is often alluded to and is mentioned particularly by Secretary Hoover, who says: "Today the combined utilities contribute about $800,000,000 in taxes to the Federal and local governments." If now these public utilities were taken over, the Federal, state and local governments would lose all this revenue. Public ownership, therefore, it is argued, will deprive the people of this great source of revenue.

The answer to this objection lies in the fact that the [illegible] would not only pay its taxes themselves, but would also pay the taxes which they pay is increased [illegible] A public utility in reality pays [illegible] money which it receives from its patrons and [illegible] to the government. The [illegible] Every utility [illegible] receives upon which [illegible] when such a [illegible] will no longer [illegible] be lost. But [illegible] be that much reduced [illegible] amount of taxes [illegible] But [illegible] the people in this [illegible] up to the people [illegible] As a concrete

illustration, for example, the Municipal Electric Light Plant in Cleveland, Ohio, pays no taxes. A recent criticism of the plant in this connection points out that the city has thereby lost $1,026,968.40. In reply it may be pointed out that, according to the Municipal Research Bureau's recent report, the total savings to the consumers of electricity in that city for the period covered by the life of the plant, 1913 to 1923 inclusive, is $20,959,500, ***which is more than twenty times the amount of taxes which it would have paid as a privately owned plant.***[33]

VI. Public Debt

It is objected to public ownership that it will enormously increase the public debt.

Answer.—It is admitted that the acquiring of any public utility involves the pledging of the public credit and the issue of bonds which means an increase of the public debt to that extent. This, however, does not increase the expenditures which the people are required to make in securing the service of the utility. It actually reduces them.

In effect, the change from private ownership to public ownership merely changes the debt from private to public bonds. For, of course, every utility has its capital account and its bonded indebtedness upon which capital charges must be paid just the same as a city or state would have to do. The public is compelled to pay rates for public utility service that are high enough to pay the capital charges just as certainly if the utility is privately owned as if it is publicly owned; with this difference that the charges on the capital account (to say nothing of rates) is greater under private than under public ownership. Changing to public ownership does not increase, it actually *decreases* the bonded indebtedness. Changing to public ownership decreases the capital charges and thereby the burden of debt which the public must bear for the follow-

[33] Report on Various Features of the Accounting System and Financial Operations of the Municipal Electric Light Plant of Cleveland, Ohio, by the Municipal Research Bureau, 612 Electric Building, Cleveland, Ohio, July, 1924, page 31.

on the ground of its interference with states' rights. "If these public utilities are to be operated by the Federal government," he says, "we at once deprive the states of their measure of authority and control over railways, power, light and communication companies."

Answer.—This objection, of course, is raised only with reference to interstate or Federal utilities or institutions. There is no difficulty of this kind encountered in the development of local, municipal or state enterprises. With reference to the Federal or interstate services, it may be said that we have had no serious difficulties in developing a nation-wide service and co-ordination of rights and powers in connection with the postal service. There was no serious difficulty encountered in co-ordinating the various railway companies of the country into one united service when the occasion of the World War demanded it. The Canadian government seems to find no difficulty in developing a Dominion system of railway ownership in coöperation with the various provinces of that country. And we have a significant illustration of the possible coöperation of a number of states in the recent "compact" entered into by the states of California, Nevada, Arizona, Utah, Colorado, Wyoming, and Montana, with reference to the development of the hydro-electric power of the Colorado River. And, finally, the private power companies of the northeastern section of the country, in coöperation with the Federal Government, are rapidly developing a plan for a great super-power system covering nearly all of the states of the northeastern section of the country.[37]

From these examples it is clear that while, of course, there will be problems of adjustment and co-ordination in establishing public ownership of projects that involve interstate or national action, the difficulties involved are not serious and by no means insurmountable.

[37] "A Super-power System for the Region Between Boston and Washington," by W. S. Murray and others, Prof. Paper 123, Government Printing Office, Washington, D. C.

VIII. Higher Rates

In recent publications by the opponents of public ownership, it is claimed that rates are usually higher and the service costs more under public ownership than under private. Secretary Hoover makes this point in his pamphlet above referred to. The objection is frequently met with of late. The most elaborate and labored objection to public ownership on this ground was the report published by the National Electric Light Association in criticism of the Ontario Hydro-Electric Power project.[38] This report has a general and sweeping criticism of the publicly owned super-power system of the Province of Ontario, but the one most specific and outstanding contention is that the rates are higher and the service costs more in the publicly owned super-power system of Ontario than in the privately owned electric utilities in the United States and elsewhere in Canada.

Answer.—A very large part of the present volume has been devoted to a study of the comparative rates charged for public utility services under private and public ownership in all different fields. We have established beyond reasonable doubt, we believe, that this contention of the opponents of public ownership is disproven and that the opposite is true. We would refer the reader to our index for references to the different chapters in which this matter is treated, for the evidence on this point, that has been submitted.

With reference to the Ontario Hydro-Electric system in particular, it may be said that the Ontario Commission has made an extended reply to the criticism offered by the Murray Report above referred to. This reply is contained in a bulletin entitled "Refutation."[39] We have given a brief résumé of this refutation, which will be found on

[38] "Government Owned and Controlled Compared with Privately Owned and Regulated Electric Utilities in Canada and the United States," by William S. Murray, Published by the National Electric Light Association, 29 West 39th St., New York City.

[39] "Refutation of Unjust Statements Respecting the Hydro-Electric System of Ontario." See pages 350 following.

pages 346 ff. and have submitted additional data to show that the main contention of the Murray-Flood Report is absolutely disproven and that rates are *not* higher under public ownership in Ontario than they are under private ownership elsewhere, but on the contrary are very much lower.[40]

IX. Poor Service

It is objected by some of the opponents of public ownership that the service is for the most part poorer than under private ownership.

Answer.—The answer is that the main consideration that has led the cities, states and nations to establish public ownership, where they have done so, is the fact that under private ownership the service has not been satisfactory and it was believed that public ownership would give better service. That experience has proven this to be true, has been shown by the evidence submitted in the preceding chapters of this book. We would again refer the reader to the index under "Service."

X. Labor Under Public Ownership

A common contention of the opponents of public ownership is that labor is much better treated under private ownership in the United States than under public ownership elsewhere. Mr. Hoover makes much of this contention, quoting figures to show that really, wages are much higher in the United States under private ownership than in foreign countries under public ownership.[41] Mr. Hurley makes the same contention. It is found in nearly all works against public ownership.

Answer.—We have examined this matter of wages and conditions of labor under public ownership as compared to those under private in several different chapters in connection with different forms of public service, and, we believe, have established the fact that wages and conditions

[40] See pages 354-360.

[41] "Government Ownership," pages 11-13.

labor circles, in favor of public ownership and democratic control of public utilities. In other words, as we have shown in previous chapters, the overwhelming sentiment of labor itself, whenever expressed, has been in favor of public ownership.

XI. Public Ownership, Initiative and Invention

A very general objection to public ownership is that it would destroy initiative. It is urged by Secretary Hoover that progress requires new mechanical inventions, new ideas in administration, new developments in service, etc., and that America has made the most marvelous advance in the history of man under private ownership, enterprise and initiative. He holds that invention, the stimulation to genius and other elements of industrial progress could not possibly have developed under public ownership with a "board of directors of 530 members of Congress and hundreds of members of the state legislature." . . . . "So far as I am aware, no single vital invention has ever come out of Government owned utilities." [44]

Answer.—It would seem strange that one so prominently connected with the public life of the American people and so closely in touch with its institutions as Secretary Hoover, should be so unaware and so unappreciative of the really great achievements which our people have made and so unwilling to acknowledge them. Mr. Hoover says that he is not aware of a single vital invention that has ever come out of the government owned utilities. We will not have the time or space in this volume to record all of the achievements of our government and public service in this connection, but let us at least review a few of them.

Smokeless powder which has been so vitally important to the army and the navy and to the military achievements of our government and through them to the institutions of the world, was invented by Professor Charles E. Monroe, a chemist in the Torpedo Corps of the War College in President Harrison's administration. This invention which

[44] "Government Ownership," pages 13 and 14.

placed the nation on a new war footing was made by a public employee in the public service without any personal reward whatever and wholly, it would seem, from the incentive to serve the government and its people. Moreover, Professor Monroe spent his own money in protecting the invention to keep it from falling into the hands of the private corporations which he knew would subsequently levy tribute upon the government for smokeless powder. He urged the government to protect these inventions. The government failing to do so, Professor Monroe completed his patents at his own expense and then turned them over to the government. The value of this invention is almost beyond computation. All the powder that the United States uses is manufactured under it. If the invention had come into the possession of a private manufacturing concern, it would have given it an indefinite monopoly that would have been worth millions of dollars.[45]

And here is another: Dr. Marion Dorset, of the Bureau of Animal Industry in the Department of Agriculture, invented the serum that renders hogs immune to cholera. Anyone familiar with the dread disease of hog cholera and its ravages can appreciate what this invention meant. Dr. Dorset, after he had developed the serum, took out patents to protect it and then the world at large was informed that it had his permission to make or sell or use the serum. Thus all manufacturers have been put upon the basis of a free and open competition in supplying the farmers of the country with preventative measures against one of their worst enemies.[46]

Dr. Marion Dorset was also the inventor of a special ink for the use of the government inspectors in marking meat. The invention is said to have saved the government $60,000 a year and gave it a method of marking very much superior to the old one.

Mr. F. G. Cottrell, an employee of the government in

[45] *The World's Work*, July, 1913, article by Franklin Fisher, "Nine Patriotic Inventors, who have given to the United States Government, and thus to the free use of the American people, patents upon inventions which could have sold for millions of dollars."

[46] Idem.

the Bureau of Mines, was the inventor of a condenser to be used in chimneys or smoke stacks of industrial plants of all kinds that takes from the smoke or fumes whatever physical properties they may have and thus contributes to the elimination of the smoke nuisance.

Another invention that came out of the government service was a moisture tester which has come into general use and the principle of which is applied in instruments used in practically every grain elevator in the United States. This invention was made by Mr. J. W. T. Duvel of the United States Department of Agriculture. A rotary printing press for the printing of stamps in the government's Bureau of Engraving and Printing was invented by Mr. Benjamin R. Stickney, a veteran employee of the government's money factory. An intricate machine which automatically figures the time and degrees of the maximum and minimum of tides at any given place, was invented by Mr. William Farrell of the government geodetic survey. This machine takes the place of thirty computers and thus saves the government $34,800 a year. The multiplex telephone was invented by Major Squier of the Signal Corps of the United States Army. Brigadier General William Crozier and Brigadier General A. R. Buffington invented a mounting for the great twelve-inch disappearing guns commonly used in the army.[47]

The Babcock milk-tester for the determination of the butter fat content of milk which is now so universally used in the dairy business of the country, was invented by Professor Babcock of the State University of Wisconsin.

The list might be greatly extended but these instances should be sufficient to dispose of the contention that inventions never come out of government owned utilities. And attention should be called to the fact that while the first telegraph system was invented by Morse, the initial line from Washington to Baltimore was built with an appropriation of $30,000 made by the Congress of the United States in 1843. Mention should also be made of the fact that practically all of the great railroad enterprises of the

[47] Idem, pages 356, 357.

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of the great banking houses, and says: "That statement is entirely unfounded in fact. On the contrary nearly every such contribution to our comfort and prosperity was 'initiated' without their aid."

Speaking more directly about the influence of the private corporations upon initiative and invention, Mr. Brandeis says: "But 'great banking houses' have not merely failed to initiate industrial development; they have definitely arrested development because to them the creation of the trusts is largely due. The recital in the Memorial addressed to the President by the Investors' Guild in November, 1911, is significant:

"'It is a well-known fact that modern trade combinations tend strongly toward constancy of process and products, and by their very nature are opposed to new processes and new products originated by independent inventors and hence tend to restrain competition in the development and sale of patents and patent rights; and consequently tend to discourage independent inventive thought, to the great detriment of the nation, and with injustice to inventors whom the Constitution especially intended to encourage and protect in their rights.'

"And more specific was the testimony of the *Engineering News:*

"'We are to-day something like five years behind Germany in iron and steel metallurgy, and such innovations as are being introduced by our iron and steel manufacturers are most of them merely following the lead set by foreigners years ago.

"'We do not believe this is because American engineers are any less ingenious or original than those of Europe, though they may indeed be deficient in training and scientific education compared with those of Germany. We believe the main cause is the wholesale consolidation which has taken place in American industry. A huge organization is too clumsy to take up the development of an original idea. With the market closely controlled and profits certain by following standard methods, those who control our trusts do not want the bother of developing anything new.

"'We instance metallurgy only by way of illustration. There are plenty of other fields of industry where exactly the same condition exists. We are building the same machines and using the same methods as a dozen years ago, and the real advances in the art are being made by European inventors and manufacturers.'

"To which President Wilson's statement may be added:

"'I am not saying that all invention has been stopped by the

abuses of private ownership, guarantees reasonable rates, good service and proper methods of financing.

Answer.—In reply it may be said that the people of the United States are spending something like $6,000,000 a year on its Interstate Commerce Commission; practically every state has a commission that costs the people from one to two hundred thousand dollars more per year. And these commissions have been at the task of regulation now for ten, twenty and thirty years. Have rates been reduced? Have freight rates or passenger rates been reduced? Has the cost of living been reduced? Has the service been improved? Has the watering of stock been stopped?

On the contrary, practically every utility company in the country has been persistently and constantly demanding increased rates and most of them have been getting them. Even before the war conditions came on, rates were gradually and steadily being forced up and we know of no general or substantial reduction of rates that has resulted from the years of time and millions of money spent by the people on these commissions.[52]

Further and conclusive evidence of the failure of regulation as a solution of our utility difficulties and problems is found in the growing dissatisfaction with the public utility commission laws. Iowa knowing of the dissatisfaction with the system in other states has successfully resisted every effort to secure the passage of such a law in that state. Minnesota has done the same. There is a growing dissatisfaction with the law in Wisconsin which was the first state to adopt it. A considerable element has always opposed it and during 1921 and 1922 United States Senator LaFollette who was its originator and chief supporter finally announced that he was convinced that it was not adequate to meet the utility problems and declared for public ownership.

In Illinois a convention of the officials and representatives

[52] For further details see the Author's "Public Ownership of Railroads," Chapter II on "The Failure of Regulation," pages 30-39, Public Ownership League, Chicago, 1919; on Wisconsin conditions, see pamphlet by Daniel W. Hoan, Mayor of Milwaukee on "Regulation a Failure and a Fraud."

to the public ownership of others and finally of all utilities and industries. Mr. Hoover phrases this argument as follows: "Either we are to remain on the road of individual initiative, enterprise and opportunity regulated by law, on which American institutions have so far progressed, or we are to turn down the road which leads through nationalization of utilities *to the ultimate absorption into government of all industry and labor.*"[56] (Italics ours.)

The fallacy of this argument is easily seen. Because a city owns a water works system it does not follow at all that it must own an electric light plant. Conditions are entirely different and until it can be shown that these new conditions require public ownership, the city will not change. Each case is decided upon its merits. Because the nation owns and successfully operates a postal service, it does not at all follow that it must own and operate its railroads. The success of the government and the advantages to the public in operating one utility may be urged as a reason for taking over the other, but all the different conditions and all the new and varied difficulties and all the arguments which pertain to the ownership and operation of the railroads that do not pertain to the ownership and operation of the postal service must be fully and satisfactorily met before the step will be taken. So the public ownership of one utility does not at all commit the country to the public ownership of all utilities.

Much less does the public ownership of one or of several public utilities commit the country to the public ownership of every utility or even of all *public* utilities. We are dealing here with the course of social and industrial progress —not with a theory or a fixed program which some force or faction is endeavoring to superimpose upon the nation. So far as we know there is not a single group of any considerable number in the United States that advocates the public ownership of all the means and instrumentalities of production—except possibly the most extreme communists. The socialists certainly do not. The most that can be said of the socialist program in this respect is that

[56] "Government Ownership," page 2.

it advocates the public ownership of *all public utilities*. But we of the Public Ownership League and the public ownership group in general are not concerned with any theory or set plan. We are concerned only with what the American people are doing and what they find or may find that it is best for them to do with reference to their utility problems.

The people of the United States, the municipalities of the country, and the nation at large, we find, are individualists in the best meaning of the term. They desire equal opportunity, personal freedom for the struggles of the individual in the economic field, no special privileges or favored classes, justice and fair play all around. In short, they desire the fullest possible opportunities for the fullest development of the individual and the greatest possible measure of social and human progress. The only question that concerns the American people, as a whole, is how best can these things be achieved? Does the public ownership of the schools, the postal service, the water works, contribute more to these ends than private ownership? If so, we are for them. Otherwise not. And again if it can be shown that the public ownership of railroads, or of electric light and power systems will contribute more to the personal freedom, to the private property of the people as a whole, to personal initiative and the general welfare and social progress, then the average American will be for it. Otherwise not. And there is no tendency anywhere, so far as we can observe, to rush into public ownership. We believe the general feeling everywhere is conservative. Even those who have organized the Public Ownership League for the purpose of promoting public ownership have as their policy the principle of "as little public ownership as possible" consistent with the above principles. Such advocates accept gladly and fully the burden of proving in the case of each particular utility or natural resource that is to be taken over, or conserved, that such action in such case is for the best. Every case must and will be decided upon its merits.

There is therefore absolutely no ground for the fear or

the argument that by establishing the public ownership of any given utility we are taking to the road which will land us inevitably "through nationalization into the ultimate absorption into government of all industry and labor." This is a democracy. The people have the ultimate say with reference to all these matters. The people of a great, free and intelligent nation are conservative. There isn't the slightest danger of progress being made too rapidly.

XVI. Public Ownership a Menace to Government

It is often argued that public ownership is a menace to our form of government; will overthrow and destroy it. It will "wreck our democracy," says Mr. Hoover; we are asked to "undermine our democracy, destroy the fundamentals upon which our nation has become great."[57] It will "overthrow the government and establish a system similar to that in Russia," says the resolutions of the National Association of Railway and Utility Commissions.[58]

Answer.—In reply to these alarming cries it may be sufficient to say that the public ownership we have in the United States has not wrecked our democracy nor overthrown our government. To this may be added the thought that public ownership is in reality a further advance towards democracy and the realization of the fundamental purpose and ideals of our government. It increases the commonwealth; it brings more of the people into the enjoyment of the ownership and control of the economic and industrial resources of the nation; it sets a limit to the concentration of wealth and diffuses it; it opens opportunity to all on equal terms; it destroys private monopoly and special privilege; it protects the private property of the general public from exploitation; it comes not to destroy but to fulfill democracy.

XVII. Class Against Class

Speaking of the danger of a great army of public employees that will use their political power to control elec-

[57] "Government Ownership," pages 2 and 16.
[58] Quoted in *Electrical World* for November, 1920, pages 1028, 1029.

tions and so secure their desires under public ownership Mr. Hoover says, "This means the creation of another bloc, the arraying of class against class, perhaps the most dangerous tendency in our politics to-day."[39]

In replying to this it may be said, in the first place, there is no danger or possibility of arraying one class against another class unless and until one class is exploiting the other. In that case it is not those who seek to organize the forces that will stop the exploitation who are arraying "class against class." It is those who are organizing and carrying on the exploitation that are arraying "class against class." It is the injustice and hardships forced upon the workers that brings on the strikes and class struggles. In other words it is private ownership that arrays class against class—not public ownership.

But the final reply to this objection lies in the fact that public utilities do not, in the very nature of the case, afford a basis for class appeals. All people and all classes are interested in them. The farmers, the shippers, the traveling public, the business men and professional classes—everybody is interested in and concerned about the railroads, the postal service, the schools. No one of these classes—not even the most numerous of them—could by any manner of means put over any measure in their own interests that would be detrimental to the rest of the people. The school teachers in a community could not hope to put over any demand they might have unless they could convince the public that it was just. The street-car men in a city cannot hope to win a strike unless they can win the support of the public. And they always appeal to the public in a controversy, even under private ownership. Under public ownership they would be even more dependent upon the public approval. In fact they would have this advantage that under public ownership their appeal would be to the public in the first place. But it would be an appeal to the public. It would not and could not be a class appeal.

In fact it is impossible to secure public ownership in the first place through class action. Before the public owner-

[39] "Government Ownership," page 12.

ship of a public utility of any kind in any community can be secured and maintained as a public enterprise, an overwhelming majority of the whole people must be thoroughly convinced that their interests demand it. Measures of this kind always require sooner or later a majority vote of the people and in most cases the bond issues upon which they depend require a three-fifths or a two-thirds vote.[61]

In other words there is no danger of securing public ownership by an arraying of class against class in the first place for the simple reason that no class in any community, state or nation (speaking now of democratic countries where there is universal suffrage) is numerically strong enough to put it through. Much less is there any danger of one class, e.g., the workers employed upon a utility, enforcing their demands upon all the other classes of the community; unless it can be clearly shown to all that such demands were reasonable and just in which case they should be granted. In that case a sufficient number of the general public of all classes, would join in supporting the workers demands to put them through.

XVIII. Ours the Best in the World

It is often argued that we have here in America the best country in the world, the best institutions in the world and the best conditions in the world. For that reason we ought to let well enough alone and not undertake any further change or improvement. This argument is stated by Mr. Hoover in the following words: "We have today in America the widest extended and most efficient utility services in the world—efficiency not alone of management, but of the employees." . . . "Our utility employees are the most efficient in the world." . . . "We have developed an effective method of controlling abuses. We contribute more to invention and improvement than all other peoples combined."

[60] As these lines are being written, December, 1924, Los Angeles in California, and the village of Hart, Michigan, have finally succeeded in securing a vote of a little over two to one—the required two-thirds vote—for their public ownership measures, and this only after repeated efforts in several special elections.

This same line of argument was phrased even more distinctly by President Coolidge in an address delivered in the last campaign and reported by the press on September 22, 1924, in which he said, "the principles underlying American institutions bestow upon the people all there is to bestow. They recognize in the people all there is to recognize. They are the ultimates. There is no beyond."

Answer.—Conceding for the sake of argument that all of these things are true—that we have the best and most efficient public utilities in the world; that our institutions and conditions under private ownership and control are the best in the world—that does not prove that they cannot be improved or that some other method than private ownership and control may not be still better. Unless, indeed, we assume that in our present management and control of public utilities and institutions we have reached the end of human progress and that no further improvement or advance is possible. Such an assumption is of course absurd, yet it seems to be implied in the arguments put forth by those who oppose any further extension of the principle of public ownership. It is impossible for anyone familiar with the evolutionary processes in human history and the progressive development of social institutions to believe that those which we have at the present moment are "the ultimates" or that "there is no beyond." Progressive, evolutionary change is the universal law sociologically as well as biologically. That our institutions, laws and public utility processes will undergo further progressive change is obvious. That a very considerable portion of that change will be in the direction of public ownership can hardly be doubted.

XIX. Confiscation

It is often argued that public ownership means the confiscation of private property. The National Association of Railroad and Utilities Commissioners in the resolutions to above make this charge. "Public Ownership," confiscate all the private property of the

utility companies of the country."[61] The same charge is frequently made in the literature of the opponents of public ownership and in their campaigns against it.

In reply to this it is sufficient to say that no intelligent advocate of public ownership and no considerable organized group such as the Public Ownership League of America has ever suggested that any public utility would or should be taken over without full and adequate compensation. Furthermore, even if such a course were suggested neither the laws, the courts nor the constitutions of the states or nation nor the conscience of the American people would permit it. And, finally, in no single case, so far as we know, of all the hundreds and thousands of private utilities in the United States that have been taken over by cities, states, and the nation, has one ever been taken over without full and adequate compensation. As a matter of fact in most cases the public pays much *more* than the properties are really worth and in some cases twice as much. The excessive price paid by the city of Seattle for the street-car lines is an example.[62] The earnest effort being made by the proponents of the public ownership of railroads to secure a reduction in what is believed to be an excessive capitalization as a basis of purchase is another illustration.[63] Many other similar cases might be cited.

There is therefore no danger whatever of any confiscation of private property in securing public ownership. The danger lies rather in the direction of paying the private owners more than their properties are worth.

XX. Public Ownership and Socialism

In one form or another the opponents of public ownership are almost sure to bring in the objection that public ownership is socialism or at least socialistic. In this connection Secretary Hoover says—"We are asked to abandon all that we have builded as a land of opportunity by inject-

[61] *Electrical World* for November, 1920, pages 1028, 1029.
[62] See pages 236-241 of present volume.
[63] See pages 128 ff.

ing into it an economic patent medicine from Europe. Socialism may have a place with some of the nations of Europe. . . . It has no place with us. . . . It is destruction."[64] In another place Mr. Hoover speaking of the proposal to develop a public super-power system in the United States similar to that now in operation in Ontario, described in Chapter XIII of the present volume, denounced it as socialism.[65] And it would seem that any attempt to make any advance in the direction of public ownership and operation in the superpower field is sure to encounter the terrifying charge of socialism or bolshevism. In 1922, when the California Water and Power Act providing for a publicly owned super-power system in that state similar to the Ontario system was put to referendum vote of the people, the opposition printed and circulated widely throughout the state a pamphlet entitled "Shall California be Sovietized."[66] "This proposal," the pamphlet goes on to say, "involves the most gigantic experiment in state Socialism ever suggested in the United States." . . . "It is the soviet plan without any entering wedge, but proceeding at once to an irrevocable adoption of the whole soviet scheme." The National Association of Railway and Utilities Commissioners, in the resolutions above referred to, phrase this objection to public ownership even more violently. They say: "Public ownership is nothing short of communism, anarchy, and bolshevism; it is a vagary of the impractical dreamer, the visionary professor, a scheme of the agitator and political demagogue who seeks by dishonest statements to climb into power. It will confiscate all the private property of the utility companies of the country, overthrow the

[64] "Government Ownership," page 16.

[65] Address by Herbert Hoover, Secretary of Commerce, by radio to convention of National Electric Light Association at Atlantic City, May 21, 1924. This address was relayed by wire to all important centers of the United States so that it was estimated that it was heard by 3,000,000 people in 13 states. The author heard it very distinctly in Chicago on the date of delivery and afterward secured a [illegible] the speech direct from Mr. Hoover.

[illegible]ifornia be Sovietized—Facts about the Proposed [illegible]ct, etc.," published by the Greater California [illegible]ing, San Francisco, Cal., 1922, page 5.

government and establish a system similar to that in Russia.'' [67]

These charges are simply untrue. If educating our children in the public schools, mailing our letters at the post-office, drinking water supplied by a municipal water works, reading at the public library and riding over a public road —if these things are socialistic, socialism, communism or bolshevism, then all of us are socialists, communists and bolshevists, and the United States is a socialist, communist, bolshevik nation. We do not think the opponents of public ownership would be willing to make quite so startling an admission.

Socialism, communism and bolshevism are each a more or less distinct and well-defined theory of social and political control. Each has a literature and official pronouncements from which a sufficiently clear and definite idea may be secured by those who are willing to take the time to do so, to distinguish each from the other and all of them from the type of public ownership which has been set forth in this volume. To confuse socialism with communism and anarchy, and these again with bolshevism, is to indulge in a reckless and loose use of words, terms and their meanings. But to confuse all these with the very common, everyday experience of our American cities, states and nation—to say nothing of foreign countries—with public ownership, is still worse and unpardonable.

Socialism is a philosophy of history, of surplus value and class struggles, out of which a very definite program of political procedure is drawn. This program involves the organization of an independent political party of a "hitherto oppressed class" which must first capture the powers of government before its proposed changes may be brought about. It, therefore, rejects public ownership unless and until its own political forces are in control. Anarchy is almost the exact opposite of socialism in that it wants no government interference of any kind. Communism is

[67] Quoted from the *Electrical World,* November 20, 1920, pages 1028, 1029.

distinguished from socialism chiefly in that it seeks the common ownership of the means of consumption as well as the means of production. And bolshevism is distinguished from all the others chiefly in that it seeks to establish the complete domination of the working class or, as it is called, "the dictatorship of the proletariat." Therefore, to confuse these various systems and philosophies contradictory to each other and all contemptuous of the slow, evolutionary processes by which the public ownership movement grows up within the present order of things—to confuse and class all these with public ownership and its matter-of-fact, practical and antitheoretical advance is a wanton misuse of terms and confusion of language.

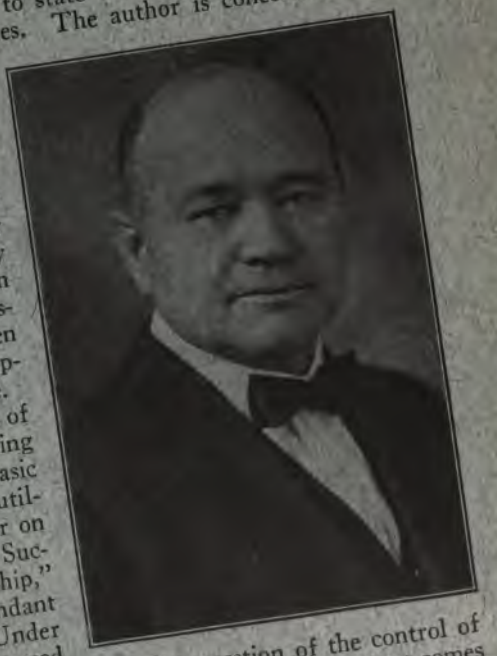
The purpose is obvious. The fear, prejudice and antagonism that exists in the popular mind against socialism, communism, anarchy and bolshevism if aroused and directed against public ownership can be made a very effective force in defeating it. The temptation to use this unfair advantage is naturally very great. The private interests and other forces opposed to public ownership are seldom able to resist the temptation. But the advantage gained by such confusion and untruth can be but temporary, since at length the truth will be known and understood.

A timely subject in economics

Public Ownership

y **Carl D. Thompson,** Secretary of the Public Ownership eague. Illustrated. 464 pages, 8vo. $3.00.

The purpose of this volume is to state the actual facts in regard o the ownership of public utilities. The author is concerned in a urvey of its extent and progress up to the present time, rather than the advancement of any theory or program in the matter. Nevertheless, certain deductions are inevitable to the reader when he discovers for himself the advance already made. Public ownership is "in the air," and it is only a question of time until it has been extended to include many properties still regarded as private.



The author takes up first of all its "Limitations"—showing how it logically embraces basic industries only and not all utilities. Then comes a chapter on the "Extent, Growth, and Success of Public Ownership," which alone provides abundant food for thought. Under "Familiar Forms" are discussed schools, libraries, postal systems, etc. The question of the control of railroads, steamship lines, and of means of communication, next comes in for discussion. This is followed by "Mines and Mining," "Electric Light and Power," "Water Works," "Street Car Lines," "Gas Plants," and similar utilities. The consideration of postal savings banks, federal and state banks, insurance, labor, and many miscellaneous but equally pressing matters complete this thoroughgoing book.

A mere inspection of its contents reveals its importance, not only classes in economics but to legislators as well. It is a subject which coming increasingly to the fore. The book is unusually well illustrated for a work of this character, from photographs of public ut in many parts of this country and Canada.

THOMAS Y. CROWELL COMPANY : *Publishers* : New

Public Ownership League

OF AMERICA

For the Public Ownership, Efficient Management and Democratic Control of Public Utilities and Natural Resources

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THE PUBLIC [illegible]ERSHIP LEAGUE OF AMERICA
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Peril of the Power Trust

Public Ownership and Popular Government, Labor and Cooperation Being Undermined by Titanic Monopoly in World-Wide Movement

A Call to Arms

By Carl D. Thompson

The supreme crisis of our generation is upon us.

A nation-wide, in fact world-wide movement is under way and swiftly gathering force, the purpose of which is to completely monopolize the more essential public utilities and natural resources of the nation and the world—a movement that imperils democracy and popular institutions.

This movement has a two-fold purpose: First, to prevent any further extension of popular government and public ownership, and, second, to take away from us that which we have.

It is a subtle, persistent, terrific drive. Its influences and forces are at work in every city, town and country crossroads in the nation—and in every nation on earth. And though outwardly they wear the apparel of kindliness and culture, they can upon occasion be as ruthless and relentless as ravenous wolves.

It is not enough that they should control the transportation and communication systems of the nation and the world, the industry, markets, banking and credits—they are working with feverish haste and appalling effectiveness to secure control of the natural resources, the public utilities and especially the power systems of the world.

Already Far Advanced

Already they have wrenched away from us many of the most important natural resources and water power sites of this continent. Of the 55 million horsepower of waterpower available and as yet unappropriated in the United States, 20,000,000 have already been applied for, mostly by the private power companies filing their applications with the Federal Water Power Commission.[1] Already the private power companies have by one means or another gotten away from us hundreds of municipally owned light and power plants. The publicity organizations of the power companies claim that 860 municipal light and power plants have either failed, been abandoned or have been sold or turned over to the private superpower companies The list is padded and inaccurate and the situation greatly exaggerated. But at best it is certainly serious.[2] They are hot after Muscle Shoals and will probably get it. They are planning the capture of the Conowingo power project of the Susquehana River in Maryland, greater still than Muscle Shoals. They covet and are plotting to capture the marvelous power resources of Niagara and the St. Lawrence, the Columbia and the Colorado. They already control the fuel. They boast of

(1) "Superpower as an Aid to Social Progress," by Guy E. Tripp, pp. 2 and 10.

(2) "Political Ownership and the Electric Light and Power Industry," National Electric Light Association, 29 W. 39th St., New York City, N. Y., 1925.

superpower systems that already all but completely control the Northeast, the Southeast, and the Pacific states.

They have twice defeated the people in California in their effort to conserve their great hydro-electric power resources through state ownership—and once the people of South Dakota and Washington. They have just succeeded in depriving the city of San Francisco of the advantages of its great Hetch Hetchy water and power project upon which the city has expended over $45,000,000 by arranging for sale of the power to the power trust. On July 9, (1925) announcement was made of a giant merger in the state of Wisconsin, which wiped out the last remaining independent company ownership of any size, concentrating the control of the power of the state in the H. M. Byllesby Company. In Illinois the Insull interests boast loudly of the control of the electric power service in 700 communities, and on June 24, announced a $65,000,000 extension of their plants. And a press dispatch of July 25, states that the Middle West Utilities Company, through its own and subsidiary co-operating companies, now monopolize the utility service in 1,269 communities in 18 states. Nearly every one of over a hundred mid-west cities visited by the writer in the course of one lecture engagement last summer (1924) had had a long drawn out, bitter fight with some private power company that was trying to get control of its local power system. Some of the cities that owned their plants had surrendered and sold or given them up. There is a persistent and determined drive on the part of some power company or companies in every state in the Union to get the municipally owned plants away from the cities and into the grip of the power trust.

Keeping It Dark

And yet, while all about us, and in nearly every newspaper and publication that refers to the matter at all, the evidence of the existence, the purpose and aggression of the power trust multiplies there are those who deny it. The Electrical World recently declared that those who talk of a power trust talk nonsense, and refers to such talk as a bugaboo. Great daily papers like the Chicago Tribune and prominent men, even the present Secretary of Commerce, Herbert Hoover, are constantly denying the existence of a power trust or the possibility of such a trust.

Thus the people are deceived and lulled into a sense of security which enables the power interests to perfect their plans more readily and execute them more completely and before the awakening comes.

In view of these things it seems necessary to set forth in considerable detail the essential facts in regard to the existence of a power trust in this country.

What Governor Pinchot Says

Governor Gifford Pinchot and the state of Pennsylvania, have had for some years a Giant Power Board that has been making a careful and thorough-going study of the power situation in this country and especially in Pennsylvania. Their findings were submitted to the state legislature of that state in February, this year, (1925) in a big 500 page printed report.* It is perhaps the most exhaustive study and report on the subject so far published. And the one outstanding feature of this report is its emphatic, almost astounding declarations of the existence, extent and the alarming menace of a gigantic power trust that is swiftly fastening itself upon the people of this continent.

* "[illegible] Giant Power Survey Board, Morris Llewellyn Cooke, Director,

In his letter of transmittal of this report, Governor Pinchot says:—

"No one who studies the electrical developments already achieved and those planned for the immediate future can doubt that a unified electrical monopoly extending into every part of this Nation is inevitable in the very near future. The question before us is not whether there shall be such a monopoly. That we cannot prevent. The question is whether we shall regulate it or whether it shall regulate us."

"Nothing like this gigantic monopoly has ever appeared in the history of the world. Nothing has ever been imagined before that even remotely approaches it in the thoroughgoing, intimate, unceasing control it may exercise over the daily life of every human being within the web of its wires. It is immeasurably the greatest industrial fact of our time. If uncontrolled it will be a plague without previous example. If effectively controlled in the public interest it can be made incomparably the greatest material blessing in human history."

"In the near future electric energy and its products will be as essential, as ever present, and as pervasive as the air we breathe. The unregulated domination of such a necessity of life would give to the holders of it a degree of personal, economic, and political power over the average citizen which no free people could suffer and survive."

"No subject has come before you, nor will any come, that holds within it so vital and far-reaching an influence as this over the daily life of the present and future men, women, and children of Pennsylvania, and of the whole United States. For good or evil, for economic freedom or industrial bondage, this change is upon us. What it shall bring depends upon ourselves. Of truth we are in the valley of decision.

"As Pennsylvania and the Nation deal with electric power so shall we and our descendants be free men, masters of our own destinies and our own souls, or we shall be the helpless servants of the most widespread, far-reaching, and penetrating monopoly ever known. Either we must control electric power, or its masters and owners will control us."

Norris Shows United States Senate Proof of Gigantic Power Trust

In the course of the debate on Muscle Shoals in the United States Senate, during January and February of this year, 1925, Senator George W. Norris of Nebraska, filled page after page of the Congressional Record and presented voluminous and indisputable evidence of the existence of a gigantic trust which, to use his own words, "controls from one end of the country to the other the generation and distribution of electricity by water power and by other means and the manufacture and sale of electrical appliances, running all the way from a little electric bulb in the house lamp to the gigantic generator that will handle without trembling, from 30,000 to 60,000 horsepower," * * * * * "a gigantic trust that has fastened its fangs upon the people of the United States from the Atlantic to the Pacific and from the Great Lakes to the Gulf." * * * "I have been dumbfounded and amazed, and the country will be dumbfounded and amazed when it learns that practically everything in the electrical world, is controlled either directly or indirectly by some part of this gigantic trust."[3]

(3) Congressional Record, January 2, 1925, page 1101.

Power Trust Control Through Ownership of Stock in Other Companies

Senator Norris showed that there were two methods by which the Power Trust secured and maintained a monopoly of the electrical world. The first was by the ownership of stock in other companies, the other by interlocking directorates.

Speaking of the first method of control the Senator showed that the General Electric Company was the head of the great American power trust; that nearly 20 years ago the General Electric Company had formed the Electric Bond and Share Company to act as a holding Company for small light and power Companies throughout the country; that this Electric Bond and Share Company has financed and supervised more than 100 companies with a total invested capital of approximately $650,000,000 and serving a population of 7,200,000; that this Electric Bond and Share Company controls by stock ownership as its immediate subsidiaries 7 great public utility companies, naming them all, and that each of these "immediate subsidiaries" in turn owns the majority of the stock of innumerable other subsidiary companies. The Senator then enumerated the subsidiaries of this subsidiary of a subsidiary of the General Electric. And the list covers 152 companies in the United States, 7 in Panama, 3 in Guatamala and 1 in Cuba. The list covers electric, gas, coal, hot water heating, ice, railways, steam heating, telephones and water companies operating in Idaho, Carolina, Louisiana, Pennsylvania, Kansas, Minnesota, Nebraska, Oregon, Washington, Arkansas Alabama, Tennessee and Colorado.

And that company is only one of the subsidiaries of a subsidiary of a subsidiary. If all of them were traced out "we would have a list that would cover not only the United States, but a fair share of the world."[4]

Control by Interlocking Directorates

Senator Norris also pointed out that the ownership of stock or a majority of the stock in subsidiary companies, and in subsidiaries of these subsidiaries was not the only means by which the power trust held control of the electrical world. Another very effective and familiar form of control is through interlocking directorates. In this connection Senator Norris submitted a list of 29 companies controlled by the General Electric through interlocking directorates, and later submitted and had printed in the record a map of the United States, showing how these interlocking directorates of the General Electric, operating through the Electric Bond and Share Company, controlled light, power, water, gas, and railway companies all over the United States.[5]

Seizing the Nation's Power

As further evidence of the existence of a gigantic power monopoly that is moving with all possible speed to capture every possible power resource of the country, Senator Norris read into the Record a list of 49 applications that were pending at that date, January 2, 1925, before the Federal Water Power Commission, for power sites on the streams of the United States, filed by companies connected with or controlled by the General Electric Company, or its subsidiary companies. These applications, if granted, will put into the control of the Power Trust 4,255,040 horsepower of additional hydro-electric power. These applications cover power sites in Kentucky, Oregon, Alabama, California, Arizona, Utah, Washington, Colorado, Missouri, Nevada, Minnesota, Pennsylvania, Tennessee, Virginia and even in Alaska.

[4] January 2, 1925, pages 1104-1107.
[5] January 2, 1925, pages 1111-1114; and February 9, 1925, page

Testimony of the Lockwood Committee

In further substantiation of his contention, Senator Norris read into the Record the findings of other individuals and organizations. On January 20th, he read the report of the Lockwood Committee on housing to the New York Legislature in the course of which they said: "The General Electric Company (which is the parent organization of the power trust) has almost a complete monopoly of the manufacturing, selling and distributing to the consumer of all the electric lamps that are used in the United States, and it also does a substantial export business." * * * "It will be difficult to find in the archives of the courts a more scathing arraignment than that to which this corporation pleaded guilty in 1911." * * * "The company now controls at least 96 per cent of the business of the country and is at the present time seeking to eliminate the remaining 4 per cent."[6]

Private Monopoly Openly Declared Purpose of Trust

For the final proof of the existence of a private power monopoly and its purpose to secure as quickly as possible complete ownership and control of the power resources of the continent, including Canada as well as the United States, we turn to the literature of the power companies itself. Such publications as the McGraw Hill Company, the Electrical World, the Electric Railway Journal, etc., are constantly publishing articles evidencing the purpose of the power companies to ultimately monopolize the power of the continent. And now we have a book on the subject of "Superpower as an Aid to Social Progress," that is so clear and definite on this matter that no room is left for doubt. And as the book is written by Guy E. Tripp, who is Chairman of the Board of Directors of the Westinghouse Electric and Manufacturing Company, it may be accepted as very high authority and fairly representing the purpose and plans of the power companies.[7]

In this book Mr. Tripp takes great pains to make several things very clear and emphatic. First, that there must be as soon as possible a single, nation-wide, even international superpower system. (See pages 1, 2, 5, 7, 9-10, 58-59, 60). Second, that this system must be privately owned. He devotes a whole chapter to this argument. (See pages 13-22). "If the nation is to have superpower systems," he declares, "they must be built by private capital and operated by private companies. Government ownership in any form would be fatal to their development and disastrous to the best interests of the public." (page 19). The 2,581 municipally owned light and power plants in the United States are obstacles in the way of this plan. (Page 19). They must, therefore, be gotten out of the way and no new ones must be allowed to start. And states must not stand in the way of the free development of this system. (See pages 46-53).

And, finally, Mr. Tripp tells us that "The complete and detailed plans for the final system," this ultimate monopolization of the power resources of the continent "have been prepared." (Page 10). The front page of the book contains a relief map of the United States completely en-meshed by the transmission lines of this gigantic super-power monopoly as these representatives of the power trust have conceived and plan to execute it.

By Their Own Words and Deeds

A recent issue of the Kentucky Utilities News, one of the many propaganda publications of the power interests, has this to say about the Dix River

(6) Congressional Record, January 20, 1925, page 2201.
(7) "Superpower as an Aid to Progress," by Guy E. Tripp, G. P. Putnam Sons, New York, 1924.

In Great Britain this combination has prevented the government ownership of the railroads, plainly indicated at the close of the war, is defeating the Jemand of the miners for the nationalization of the coal mines, and is working in many cities to overthrow the municipal ownership of the street railroads.

And in all of these countries, here in the United States as well as abroad, this campaign against public ownership goes hand in hand with a carefully planned assault upon organized labor and the co-operative societies.

Do you not see, therefore, that Privilege, being more than ever arrogant, confident and aggressive, thinks that this is the time to make itself supreme and unassailable and that these are its methods to that end?

Plainly, this is its strategy, and first of all it has planned this flanking movement directed against the Public Ownership of Public Utilities.

If this succeeds, the enveloping movement, of course, follows,—the unions are suppressed, co-operation is destroyed and the rest follows.

How the Trust Fights

In this struggle to protect and extend popular rights and institutions, the power trust has the advantage. It is thoroughly organized. It has a propaganda agency in nearly every state in the Union and nationally. Their published statements tell of an annual budget of $200,000. It is probably much greater. An official report of the City of Seattle is authority for the statement that "The private companies have organized lately with the intention of educating the country against municipal ownership and **have subscribed a fund of over a million dollars** for that purpose." (Annual Report Lighting Department, City of Seattle, 1924, page 7). How the Power Trust uses the press to deceive and mislead the people in these matters may be gathered from a statement by the City of Seattle, Lighting Department. "In the recent initiative campaign," the report says, "for the power bill allowing a city to sell power outside its borders, **seventy-two papers** (in the state of Washington) **received the company** statements through one Seattle man acting as their agent. These papers were told to sign these ads or statements, not with the Power Company name, but as the "Citizen's Committee" of the local community. Probably a million dollars was spent in this one campaign alone in this one state in the spreading of false propaganda." (Annual Report, 1924, page 32.) In the campaign against the Public Power bill in California in 1922, conditions were even worse. It was proven that the power companies had paid sums ranging from a few dollars to as much as $10,000 "employing" labor leaders, women's club workers and all sorts of civic and social workers to use their influence against the bill. Over $500,000 was spent in this campaign according to the admissions of the representatives of the companies at the hearings.[8]

Senator Hiram Johnson in an address at Sacramento, California, July 16, 1925, delivered a strong warning regarding this flood of propaganda which the power companies are now deluging the country through every available channel, especially the press and the mails. He said in this regard:

> "We are in an era of paid propaganda.
>
> So thoroughly is this mode of moulding and controlling public opinion organized that great interests in New York City overnight can influence the timid and fashion the opinions of the weak.

(8) For details of this campaign, see "How the Water and Power Act was Defeated," by Rudolph Spreckels, in "Public Ownership," for August, 1924. Public Ownership League, 127 North Dearborn Street, Chicago, Illinois.

Not only is the organization of this propaganda so thoroughly perfected that it taps at command nearly every medium of publicity, but it is so clever that those unaccustomed to it seldom suspect its source, but fondly imagine it is the spontaneous outburst of public opinion."

Senator Johnson gave an instructive example of his own experiences as to propaganda through the mails, having received in his senatorial capacity, from Los Angeles alone, during a single session at Washington, thousands of letters a week, many of which were signed by persons who knew nothing whatever about the subject of the communications.

The Power Trust controls or has at its command the greater part of the press, the platform and the radio. It counts as its friends and supporters those high up in the administration of affairs at Washington, in all important departments of the government, the majority of both houses of Congress, most of the state legislatures, the city officials and municipal councils. And with it all they have at their disposal untold millions of money.

Thus we are confronted in this struggle with the most powerful, most thoroughly organized and best equipped monopoly that has ever been formed.

What Labor Has at Stake

If the Power Trust is allowed to complete its monopolization of electric power, it will constitute the most far reaching and absolute monopoly the world has ever seen. For, through the control of power this monopoly will acquire control of the whole industrial system. And this for the reason that in the very near future every public utility, every railroad, mill, mine, farm and factory, as well as every home, will depend upon electrical power for its source of energy. A monopoly of electric power, therefore, will become a monopoly of all monopolies with control more absolute than ever before and concentrated in the hands of fewer persons than ever before. The private profit motive becomes supreme; wages, hours of work and conditions of labor become subordinated to private gain. Rates charged for service will be based on the principle of the greatest possible profit which in turn will keep up the cost of living and rigidly restrict the output. This, in turn, will restrict industrial development and social progress. This will restrict the employment of labor and hundreds of thousands will be thrown out of work. Organizations of labor will thus be weakened and conditions of labor depressed.

What the Public Has at Stake

Moreover, these conditions, will all effect adversely the general public, and labor will suffer its share of the burden of high rates and high cost of living with the resulting limitations of the necessities and comforts of life. If, on the other hand, the electrical industry can be kept a public function with service at cost and public service made the dominant motive, then rates can be kept down, every industry can freely and fully expand, every public utility operate at full capacity, every individual and every home have the full use of this great agency of comfort and convenience and an era of industrial and general progress and prosperity otherwise impossible and heretofore undreamed of, may be ushered in.

To Meet this Crisis?

What is needed to prevent this power? What is needed to

establish the electrical industry and through it the whole industrial order upon the higher plane of social service, the greatest possible efficiency and utilization?

First of all, it is necessary to get the facts and information to the general public. The great majority of the people are utterly unaware of the tremendous possibilities of electric power and the menace of a private monopoly in this field. They are also still less aware of the splendid and inspiring possibilities of public ownership in this field. Moreover, they are being constantly misled and deceived in these respects by the propaganda of the private power interests. We must have a systematic, methodical and sustained educational campaign. We must get the facts to the people.

Secondly, the popular forces of the country must be united and co-ordinated in order to present a solid front against the monopolization of the power resources of the continent. And in this case we have as never before a unifying cause.

There are 2,581 cities in the United States and nearly 500 in Canada that own and operate their own power plants. There are no less than 7000 cities in the United States that own one or another of their important public utilities. These cities will all be deeply and immediately interested in preventing the Power Trust from monopolizing their municipal plants. They will also be interested in a public super-power system. There are already great publicly owned and operated super-power systems that are successful in every respect, and growing by leaps and bounds. The Ontario Hydro-Electric Power Commission, the Seattle-Tacoma public superpower system, and the Los Angeles municipal Water and Power Bureau and the Winnipeg Hydro System, are inspiring revelations of the possibilities of public ownership in this field.[1]

There are also many less extensive but none the less successful plants such as Springfield, Illinois, and Cleveland, Ohio; and literally thousands of lesser examples of successful systems throughout the country. These all should be brought into the movement.

The organized labor movement is already definitely committed to the battle for public superpower by resolutions of the American Federation of Labor and various International Unions. In the membership of the League are such important labor organizations as the Electrical Workers International Association, through its President, James P. Noonan and other executive officers, the Executive Committee of the Machinists' International, through William H. Johnston, the Brotherhood of Enginemen and Firemen, through action of International President, D. B. Robertson and the last convention, the Window Workers International, and a considerable number of local, state and central bodies. Such noted leaders of labor as E. J. Manion of the Telegraphers, L. E. Sheppard of the Conductors, E. H. Fitzgerald of the Railway Clerks, J. A. Franklin of the Boilermakers, Ship Builders and Helpers, Fred H. Fljozdal of the Maintenance of Way Employees and many others are on the list of members and officials of the League. The late Warren S. Stone, and Glenn E. Plumb were both active members of the League—so also was that staunch champion of labor and popular movements, United States Senator Robert M. La Follette. It only remains to arouse the unions and the general labor move-

(1) For full particulars on these great public power systems, address the Public Ownership League, 127 North Dearborn Street, Chicago, Illinois.

ment to the full significance of the struggle and its meaning to labor, and to get them actively and aggressively enlisted.

The farmer is keenly interested in public power. He has more at stake, more to gain by public power than any class of our people. **The Farmers' National Council** has long ago declared emphatically for public superpower and has been battling for the cause for years. The National Grange and many of the state granges have taken favorable action. Other farm organizations can be easily enlisted. Thus, for the first time, we have a specific measure of such wide and far-reaching import and such general benefit that wage worker and farmer, as well as municipality and state have a general and common interest.

And, finally, every woman in America that loves her home or cares for the home life of our people and wants to see it more attractive, more comfortable and more efficient, will be interested in public power. Already the National Convention of the League of Women Voters has taken action favorable to a public power system. Ever other popular woman's movement in the country can readily be enlisted.

The popular forces whose natural instincts and interests lie in the direction of a great public power system as over against a private power monopoly, are an overwhelming majority. **But they must be aroused, enlisted in the cause, united in their efforts co-ordinated in the work.**

A third essential to the successful meeting of this crisis is a concrete, constructive program for which all interested and enlisted forces may work. Such a program, covering both the local fields with reference to municipal power plants, whether of a great metropolitan city or a little country village, and also with reference to a national program covering such gigantic power projects as Muscle Shoals, the Boulder Canyon Project of the Colorado, the tremendous possibilities of the Columbia basin, the Niagara or the St. Lawrence, and, finally, a general nation-wide, public, superpower system—has all been worked out in tentative form and complete detail by the Public Ownership League. Measures covering the national situation were drawn and introduced in Congress in 1924, and will be re-introduced until passed. Meanwhile, local municipal light and power plants are growing in number, extent and success every year.

We have the program. It only remains for us to organize the forces to put it through.

The Public Ownership League of America

The Public Ownership League of America, organized first in 1916, has been established for the particular purpose of doing these very things—of carrying on this especial work and accomplishing these particular objects.

It has the facts and information, gathered and published in leaflet, bulletin and book form, covering this whole field completely. Moreover it publishes a monthly magazine devoted to this movement in its various phases.[10] It has united in its membership and service representatives of nearly every popular movement in the country and is adding others every day. Its purpose

(10) A booklet giving descriptive list of the League's publication and sample copies of the magazine may be secured from the Public Ownership League, 127 N. Dearborn St., Chicago.

and constant effort is to unite and co-ordinate them all and offers a means and a medium through which all of them can work. And, finally, it has the program. Subject to any modification that may seem necessary or advisable, it has drawn, and through United States Senator George W. Norris and Congressman Oscar E. Keller, has introduced and has pending in Congress a measure providing for a general nation-wide public superpower system. Locally in scores of municipalities it has already conducted and assisted in campaigns that have prevented the sale of municipal light and power plants and helped in securing the establishment of municipal plants. It has co-operated in the fight to save Muscle Shoals, to establish a government owned power system at Boulder Canyon and throughout the nation and in Canada has taken active part in the holding and developing of public power projects.

If this great crisis that now confronts the people of this continent and the world, can be successfully met, it will be in some such way as this and through some such means as this.

A booklet giving descriptive list of the League's publication and sample copies of the magazine may be secured free upon application to Public Ownership League, 127 N. Dearborn Street, Chicago.

The American people, we firmly belive, will never consent to the monopolization of the natural resources and power upon which their whole industrial, agricultural, domestic and municipal life depends. We of the Public Ownership League do not propose to stand idly by and permit this disaster to occur. We shall work with all our might for the public ownership of the power system of the nation. We call upon every loyal American citizen to join us in this great work.

ARE YOU READY TO SURRENDER?

If not, join hands with us. We are making a fight against this gigantic power. Great as it is, it is not yet sovereign in this world. It can be beaten and will be, if the progressive and forward looking elements will but unite for this battle. Come with us. Give us your help. No combination in this world can stand against the plain people if the plain people will stand together. JOIN—

THE PUBLIC OWNERSHIP LEAGUE OF AMERICA,
127 North Dearborn Street,
Chicago, Illinois.

(For Free Booklet, Sample Copies, Application Blanks, etc., address the League as above).

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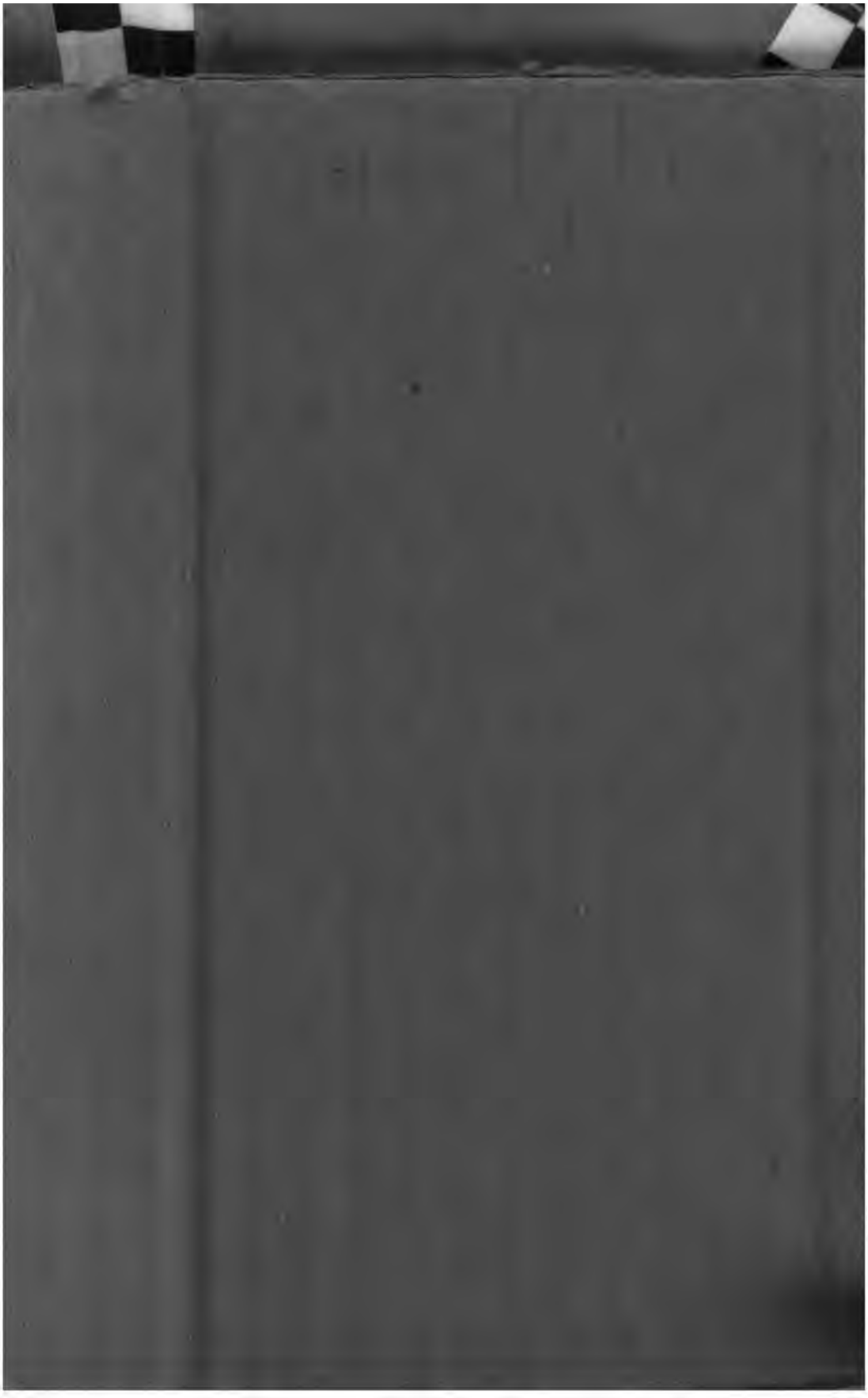

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PUBLIC SUPERPOWER

An Address Delivered at the Annual Convention of the Pennsylvania State Federation of Labor at Harrisburg, May 13, 1925

by

CARL D. THOMPSON
Secretary Public Ownership League of America

We are in the beginnings of the greatest industrial revolution the world has ever seen.

A few generations ago the invention of the steam engine brought on what is known in economic history as the industrial revolution. But a far greater power than steam is here today—electricity. Far more completely than steam ever did, electric power is revolutionizing the industrial life of mankind and recasting the social order. This new power is capable of performing miracles beyond the wildest dreams of the power prophets of the age of steam. It will lift and carry the burdens of man, create new industries, transform the old. It will multiply the comforts and conveniences of life, expand the sphere of human experience, enlarge the common life and lift mankind to a plane of civilization hitherto impossible. It has been well said that we are just now in the storm center of an energy movement destined to remake civilization; the dynasty of the dynamo is here.

I.

ELECTRIC POWER REMAKING THE WORLD

Electric power is remaking the world. In every phase of our common life its revolutionizing and uplifting force is being felt.

"1. Electricity in the Home—The efficient home of today is the electric home, the home in which electric power is available not only for lighting but for cooking, cleaning, washing, ironing, chopping and grinding; for the electric fan and refrigerator, the warming pad and heater and a great number of other domestic uses that add comfort, convenience, sanitation and cheer to the home and at the same time lift an enormous burden from the backs of those who do the housework.

"But obviously the extensive use of electric power depends upon a low rate. The well-to-do will use electric current because of its many advantages for all possible uses no matter what the cost, but the general population, being compelled to economize will not be able to use it so long as other means are cheaper. Universal use of electric service in the homes therefore depends upon low rates.

"2. Electric Power in Industry—Electricity is also revolutionizing our industrial life. Fifty-five per cent. of the industrial plants of Chicago are operated by electric power; sixty per cent. in Indiana; eighty-five per cent. in Ontario. Moreover electric power is making

possible and creating new industries that never before existed. One electrical society lists 200 new processes that have been developed since the use of electricity in industry began.

"Electric power makes possible great industrial expansion and development. Los Angeles for example, has been developing most rapidly in recent years due largely to its low water and power rates which attracted industries there which would otherwise have gone to other coast cities. But perhaps the most significant example is that of the Ontario cities as compared with those of New York. For years industries have been moving out of the adjoining states and over into Ontario at the rate of one every two weeks on account of the lower power rates in Ontario.

"In the hearings before the United States Senate Committee on the Fordney-McCumber Tariff bill there is a memorial presented by the Chamber of Commerce of Niagara Falls, New York. This memorial recites that the Ontario manufacturers are enjoying a power rate only one-half that charged by American companies on the New York side. Therefore it prays that the tariff rates be raised to protect them from the competition of the Ontario manufacturers. These Ontario manufacturers, the New Yorkers complain, can buy power at $12.00 a horsepower, while the New York manfacturers must pay $24.00.

"It will be seen, therefore, that the future industrial development of the nation and the degree to which it may be carried out depends more than anything else upon electric power at the lowest possible cost. Moreover it is interesting to note that with the coming of electric power the baneful tendency to concentrate populations into great industrial centers may be arrested and population more generally diffused. Transmission lines can now carry electric power to the people—the people are not compelled to move to the power.[1] Thus besides relieving the cities of much of their death dealing smoke, gas, dirt, soot and cinders, electric power makes it possible to diffuse our population and thus create better, more wholesome and healthy living conditions for the people.

"3. Transportation—Electric power is revolutionizing transportation. The day of the steam locomotive is passing. The electric locomotive is much more efficient—carries a greater load, at greater speed for longer distances, up steeper grades, at less cost and less wear and tear than the steam locomotive. Moreover it has other and almost astonishing mechanical advantages. For example an electric locomotive uses current in climbing a grade; but when it is over the peak the motors are reversed, become generators which driven by the weight of the train running down grade create current and put it back on the wires. Thus from twenty to twenty-five per cent of the current used by the electric locomotive is often recovered.

"The electric locomotive carries no coal. Over 160,000,000 tons of coal that must now be shipped over the railroads to supply the steam locomotives would not need to be shipped if the roads were electrified. All that carrying capacity would be released for other purposes. The electric locomotive carries no water and so is relieved of another burden.

"Moreover cleanliness and comfort is gained not only by those who travel but by those residing along railroads and especially at the terminals. With electric power railroad terminals may be operated without discomfort or disadvantage to the people and the businesses nearby in the very heart of the cities. No soot, no smoke, no cinders, no gas and much less noise.

1—See "Giant Power Survey" pages 75-78. See also "Giant Power", March 1925, issue of the Annals of the Am. Acad. of Pol. and Sol. Science, 39th St. and Woodland Ave., Philadelphia, 1925.

"Under these conditions it is only a matter of time until every railroad in the country will be electrified. Over 5,000 miles are already electrified. The rest will follow rapidly.

"4. Communication—Electricity has given us the telegraph, the telephone and the radio. What further developments may come in the field of communication one cannot say. But if we are to keep these vitally essential agencies open to the people and secure the widest possible use of them all it is clear that electric power must be kept abundant and CHEAP.

5. The Municipality—Nothing is so important to a city as an abundant supply of electric power at low rates. The streets, parks and public buildings must be lighted—and the well-lighted city takes the lead. The great majority of our cities—over 4,000 in the United States—own their water works systems. These require power. There are 2,581 cities of the United States and 400 in Canada that own and operate electric light and power plants. An ABUNDANT SUPPLY OF ELECTRIC CURRENT AT LOW COST is vitally important to every such city.

"There are 25 cities in the United States and 15 in Canada that own and operate street car lines. They must have power. And whether the pubilc utilities of a city are publicly or privately owned, low-cost electric power is absolutely essential and will be a determining factor not only in the efficiency of the service but especially in the cost.

"But most important of all for the city is the need of an abundance of cheap electric power for its industries. Any city that will possess itself of an abundant supply of electric power which it can offer at low cost will be able thereby to attract industries, to develop those it already has and to create new ones. In other words low-cost electric power is the shortest and surest road to industrial, commercial and general progress and prosperity.

"And finally every city must have an abundance of low-cost electric current in order to properly supply the homes of its people with the necessities, the comforts and conveniences of electric service.

"6. Electricity for the Farm—Electric power is revolutionizing agriculture. The farmers find it difficult to keep their sons and daughters on the farm. Better lighted homes, the telephone and the radio and other modern electrical equipment that is making the home life on the farm more attractive and its labor less burdensome is helping in that respect. The farmer complains that the high cost of farm implements, fertilizer, and other necessities with the low returns for farm produce is making his problems increasingly difficult. Here again electric power comes as a life saver, providing, of course, that the costs are kept down.

"For 60 cents a day a farmer in Ontario can hire sufficient current to operate a 10 horsepower motor which is equivalent to two two-horse teams and 10 men. And these farmers are pumping water, grinding corn, chopping feed, filling silos, sawing wood, threshing, and milking cows with electric power. Electric power is opening a new era in farming in Ontario. But that is because the rates are astonishingly low. Elsewhere the rates are so high as to be practically prohibitive and in some cases the electric companies do not seem to want to give service at all in the country. It does not pay as well as the city service.

"In Wisconsin we have found farmers paying as high as $400 to get the equipment for electric service and then being charged 16 cents a kilowatt hour for the current. In the state of Washington last summer I found farmers paying from $47.00 to as high as $84.00 per horsepower per year for electric service. And it was breaking their backs—and their hearts, too. In Ontario the rates are as low

as $24 or less than half as much. And, what is more, the Hydro Electric Power Commission advances one-half of the cost of installation.

"And here is a chance for the progressive city to cooperate with and help the farmer. Granite Falls, Minnesota, owns and operates an electric light and power plant. The farmers out from the city were anxious to get current but felt that the company charges for installation and 13 cents a kilowatt for current were too high. They organized a cooperative power company and built their own transmission lines. They bought current of the city plant at 3 cents a kilowatt hour. It cost one cent a kilowatt hour to transmit so they got it delivered on the farms at 4 cents a kilowatt hour.

"Cheap electric power has another especially vital relation to general agriculture that is important to note. It is now possible to produce nitrates for fertilizers by electrical processes. That may mean the remaking of agriculture if the cost of power can be kept down.

"Constant re-cropping of the soil is steadily depleting it. This has gone on to such an extent, especially in the older sections of the country, that the soil fertility has fallen below the point at which it pays to farm it in many sections. This condition is certain to grow worse as time goes on. Hence the absolute and increasing need of more and cheaper fertilizer. Low cost electric power makes this possible. And this is the significance of the struggle over Muscle Shoals. And this is the reason that the farmers of America must henceforth be more deeply than ever concerned to see that electric power is properly controlled and the prices kept down. [2]

"In the home, in the mill, mine and factory, on the railroads, in communication, in the municipality, in agriculture, everywhere electricity is working a veritable revolution in modern life. Vast changes have already been brought about but we are only in the beginnings—we have only touched the hem of the garment. Still greater changes await us."

II.

THE COMING OF SUPERPOWER

"Back of this industrial revolution which we see working out before our eyes today, are certain logical, inevitable forces that are working steadily towards a great, unified, co-ordinated superpower system.

"The rapid development of long distance transmission enables us now to carry electric current 400 miles and more. This, in turn has made possible interconnection of plants and communities. In this way superpower systems develop and expand until 20 or 100 or even many hundreds of cities and communities are inter-connected and cooperating in the production and distribution of electric power. Small communities as well as large are thus enabled to secure the advantages of large scale production at lower unit cost. Water power systems are being developed and these interconnected and co-ordinated with fuel driven plants. Power plants are being located to better advantage with reference to the fuel and the by-products of the coal are being recovered. [3]

"All of these advantages and economies have made inevitable the gradual development, interconnection and co-ordination of power plants into an ever increasing superpower organization."

2 For full discussion of this vitally important matter see "Nitrate", by Gray Silver. Statement in Hearings before Committee of Agriculture, House of Representatives, 67th Congress, Feb. 10 and 20, 1923, Government Printing Office, Washington, D. C.

3 Giant Power Survey, pages 99 ff., 372 ff.

III.

THE MENACE OF PRIVATE MONOPOLY

"All these things we see. But there are other things we do not see. There are forces working behind the scenes in this gigantic drama which are not so clearly seen, and are little known or understood. They are the private interests which are working swiftly and aggressively to secure the ownership and control of the whole power system of the nation.

"The organization, unification and interconnection of a vast and far-reaching power system in the electrical field is inevitable for the reasons which we have pointed out. Whether we like it or want it or not a giant, superpower system is inevitable. The advantages of such a system are so great and compelling that economic necessity is drawing the state and the nation into it very rapidly.

"Shall it be a private monopoly, or a public monopoly? Shall it be our master or our slave? That is the issue that confronts us now. And it is the most serious issue before our people, the State, the nation, and modern civilization. [4]

"Thus far the private monopoly has the advantage. The private interests have been quick to see the tremendous possibilities of electric superpower and swift to seize upon every possible point of advantage. Long before the general public awoke to the possibilities the private companies were rushing their plans for the capture and control of the field. And their plans for a private monopoly of the power of this continent are well under way. [5]

"The mightiest monopoly the world has ever seen is upon us. At no distant day, if this monopolization is allowed to go on to its completion, it will be possible for one person, with his hand upon the switch of a great superpower system, to darken every home and city street, to stop every street car line and transcontinental railroad train, to silence every mill, mine, and factory, to seriously interfere with agriculture—in short, to paralyze the common life of the community. No power like this has ever before existed in human history. No king, no kaiser, no potentate of the past, and no combination of power in modern times has ever had such power over the life and death of the people or the destinies of mankind as they will have who finally succeed in monopolizing the electric superpower of the continent." (For full data see "The Peril of the Power Trust" Bulletin No. 32, Public Ownership League, 127 N. Dearborn St., Chicago, Ill.)

IV.

PUBLIC OWNERSHIP THE SUPREME ISSUE

"In view of these facts, the question of the ownership and control of the superpower system of the continent becomes at once the most

4—Governor Gifford Pinchot, of Pennsylvania, in the Message of Transmittal of The Report of his Giant Power Survey Board, made public in February of this year (1925), puts this in a most graffic way. He says in part: "Nothing like this gigantic monopoly has ever appeared in the history of the world. Nothing has ever been imagined before that even remotely approaches it in the thoroughgoing, intimate, unceasing control it may exercise over the daily life of every human being within the web of its wires. It is immeasurably the greatest industrial fact of our time. If uncontrolled, it will be a plague without previous example. If effectively controlled in the public interest, it can be made incomparably the greatest material blessing in human history."—"Giant Power Survey", Harrisburg, Pa., 1925, pp. X—XIII.

5—Senator George W. Norris presented, in the United States Senate, during the course of the debate on Muscle Shoals, in December, last, an astonishing amount of evidence of the existence of a great power trust in the country and submitted the facts showing the interlocking directorates of all the great power interests of the country. "Congressional Record, Friday, January 2, 1925, 68th Congress, second session, pp. 1101-1107. Also Feb. 9, 1925, pp. 3382, giving map of interlocking directorates of power companies.

if street cars are used, the power should be supplied by the same co-ordinated power system. In other words, the best service and greatest economy in the operation of the public utilities of a city can be secured by the unification and co-ordination of all of them, with the central power system. *But no city can safely turn over to a private monopoly all of its public utilities for private exploitation.*

"In the national field, the development of great waterways and water power systems three, and sometimes four, great public functions are involved. Dams are built to secure flood control The same development makes possible great irrigation projects. They also serve to make the river navigable. And, finally, the same project will develop electric power. Thus four great public functions should be co-ordinated in the development of our waterways—(1) flood control, (2) irrigation, (3) navigation and (4) hydro-electric power. No private corporation can be trusted to undertake the development of the great waterways of the nation, with all these public functions properly provided for. Moreover, the expenditures required are so vast that private enterprise is unequal to the task. In this field, at least, the necessity of public ownership should be obvious to all.

"Service at Cost—In order that electric service may have the widest possible use and industrial, domestic and agricultural development, the greatest possible expansion and progress, it is necessary to reduce the rates charged for the current to the lowest possible point. To accomplish this, the power system should be operated on the basis of service at cost.

"But no private company can operate on that basis. It must charge rates sufficient to cover all costs and in addition to yield a 'reasonable return' on the capital invested, to say nothing of paying dividends on watered stock. Public ownership alone can eliminate first the profit and finally the capital charges and dividends on fictitious stock, and thus give service at actual cost.

"Reduce the Cost—Moreover public ownership in the power field is the only way to reduce the cost to the lowest possible point. In the first place, it has been shown by the United States Census that it requires nearly twice as much capital to develop a power plant by private corporations as it does by municipalities. The United States Census on Central Electric Stations for 1917 gives $180 as the average value per kilowatt of generating capacity for the municipally owned plants in the United States as compared to $339 for the private plants.

"Again, the State can secure the necessary capital for the development of such a superpower system at a much lower rate than private individuals or corporations. The public utility commissions are now quite generally allowing the companies to charge rates high enough to net them 8% on their capital investment. The State can sell its bonds at 4½ to 5 per cent. at most, a saving of 3 to 3½ per cent. [6]

"But by far the greatest saving would be effected by public ownership through the amortization of the capital account. Secretary of Commerce Herbert Hoover in a recent address [7] made the statement that the electrical industries of this country will require between thirty and thirty-five billions of dollars for development within the next twenty years. This it will be noted is nearly twice as much capital as is at present invested, or claimed to be invested, in the railroads of the United States.

"With this as a measure of the magnitude of the electrical development that may be reasonably expected within the next two decades,

6—See "A Superpower System for the Region Between Boston and Washington", pp. 12 and 20.

7—Radio address by Herbert Hoover, Secretary of Commerce, to the convention of the National Electric Light Association at Atlantic City, May 21, 1924.

the cost of producing the current and rendering the service would be $2,800,000,000 less each and every year on account of the elimination of the capital charges alone than it would be under private ownership. And rates could be reduced accordingly.

"To put it in another way, the elimination of the capital charges, which are possible under public ownership, will reduce the cost of the service to about one-fifth what it is at present. At any rate Guy E. Tripp, Chairman of the Board of Directors of the Westinghouse Electric and Manufacturing Company, is authority for the statement that 'fixed charges form as high as 80 per cent. of the cost of producing power by means of water power, and they are also an important element in the cost of steam power'. [8] A similar estimate has been made by Gano Dunn, who has shown that the fixed charges on hydro-electric development amounts to 77.4 per cent. of the whole. [9] Great stress is laid upon the importance of amortizing the capital account by Mr. Gray Silver, representing the American Farm Bureau Federation, in his paper on 'Nitrate,' presented to the Committee on Agriculture of the House of Representatives in February, 1923, although of course Mr. Silver urges the matter entirely apart from any consideration of public ownership.

"If these statements are true, as they doubtless are, the public ownership of a State-wide and ultimately a nation-wide public superpower system would result in revolutionary reductions in rates. Electric current that today costs nine, ten and twelve cents a kilowatt hour, would then cost around one, two and three cents; service that now costs $2.50 per month, would then cost fifty cents; power that now costs $15.00 per horsepower, would then cost $3.00. That some such rates as these are possible under public superpower is proven by the fact that in Ontario where we have such a system, organized and conducted upon the very principles here set forth, the rates are already reduced to these points in some cases and are going down everywhere. [10]

"Democratic Control—Public ownership of power is essential in order to secure some degree of democratic control of the industrial life of the nation. In the electrical age which we are just entering, control of power will carry with it the control of practically every phase of the common life. Industry and transportation, mining, manufactures and agriculture, the municipality and state as well as the home life of the people, all will be absolutely dependent upon electric power." If, therefore, labor is to have any real voice in the management of industry, in determining wages, the conditions of employment or the cost of living; if the people are to exercise any real control over the industries and utilities upon which their lives depend, the superpower system must be publicly owned. There can be no democratic control of industry where the power upon which it depends is subject to private monopoly.

V.

SUCCESSFUL PROJECTS FORECAST POSSIBILITIES OF PUBLIC POWER

"Here are some of the successful publicly owned power projects that forecast the tremendous possibilities of public superpower:

"The City of Cleveland owns and operates a municipal light and power plant. Electric current can be purchased there at 3 cents a

8 "Superpower as an Aid to Progress", by Guy E. Tripp. G. P. Putnam's Sons, New York, 1924.

9 Transactions American Institute of Electrical Engineers, Vol. 39, p. 385. Quoted by Gray Silver in hearings before the Committee on Agriculture, House of Representatives, 68th Congress, February 19 and 20, 1923, on "Nitrate", pp. 30-34.

10 Details of the amazing results of this Ontario Hydro Electric Power System may be secured of the Public Ownership League, 160 North Dearborn Street, Chicago, Illinois.

kilowatt hour maximum or retail. Elsewhere it costs 9 cents or three times as much. In other words an ordinary household using 30 kilowatt hours of electricity in a month would pay 90 cents in Cleveland. In Chicago the same service costs $2.40. In Wisconsin cities it would cost $2.13 on the average; in Massachusetts cities $2.79 and in the smaller cities of Illinois $3.60.

"In Springfield, Illinois there is a municipally owned light and power plant. Its maximum rate is 6 cents per kilowatt hour which is just about one-half the average rates charged by private companies in 150 other Illinois cities according to the testimony of Samuel Insull head of the private companies' organization. [11] But the most significant fact about the Springfield municipal plant is the rate of 1½ cents a kilowatt hour which it makes for cooking. This results in an average cost of $2.25 per month per family which is about 20 per cent. cheaper than gas.

"And here is still another suggestion: In the City of Tacoma, Washington the municipally owned electric light and power plant has a rate of ½ of one cent per kilowatt hour for cooking and heating. This rate is so low that electricity is quite generally used for heating as well as lighting, cooking and other domestic purposes. And, as the climate is mild, they are now building houses in Tacoma without any chimneys at all. In those homes no coal goes in, no ashes come out—no smoke, no soot, no cinders, no gas.

"But the most significant and outstanding example of successful public superpower of all is in Ontario. There we have a publicly owned hydro-electric and superpower system in which over 386 cities and 131 rural communities are interconnected and cooperating together. The results are amazing. The service is the best and the rates the lowest of any on the continent if not in the world. The average net (retail) rate for the entire system is not far from 3 cents a kilowatt hour. In the ten cities of Brantford, Galt, Guelph, Hamilton, Kitchener, London, Ottawa, St. Catherines, St. Thomas and Strattford the average rate is less than 2 (1.9) cents a kilowatt hour.

"Less than 2 cents under public superpower in Ontario—9.32 cents or over four times as much on the average in Massachusetts cities and 7.11 cents or over three times as much in Wisconsin cities. [12]

"The significance of these astonishingly low rates in Ontario may be shown by comparing the bills paid for the service. Here, for example is a bill for electricity in Chicago. It is for 30 kilowatt hours for the month ending March 27, 1925 and amounts to $2.09. The same amount of current in Toronto would cost 63 cents.

"Here is a bill for 70 kilowatt hours paid by a cafe in Canton, S. D. in May, 1924 amounting to $10.30. A similar bill for 70 kilowatt hours paid by a Dr. Wing, in Guelph, Ontario, in December, 1923, was $1.78.

"A hotel in Eldora, Iowa, used 313 kilowatt hours in April, 1924 for which it paid $34.92. About the same time Mr. J. Simpson a business man in Windsor, Ontario, 200 miles from the source of the power used 385 kilowatt hours in a month, being 72 kilowatt hours more than the Eldora hotel used, yet it cost him only $6.96 as over against $34.92 Eldora bill.

"Judson King has published fac-similies of two electric power bills, one rendered by the Ontario system to a customer at Niagara Falls, the other by the private power company in Washington, D. C., both for 334 kilowatt hours in a certain month. The Ontario bill is $3.55; the Washington bill is $23.18.

"We have collected similar bills from a great many cities, towns and villages in different parts of the United States and Canada and

11—In hearings before the Illinois Commerce Commission.

12—"Giant Power" Report of Giant Power Survey Board Appendix C, page 319, Harrisburg, Pa., 1925.

VI.

THE PROGRAM—WHAT TO DO

"In order that the development of the public superpower system as outlined above shall procede the following definite and concrete measures are being advanced:

"1. **The Norris Bill**—This measure was introduced in the United States Congress by Senator George W. Norris of Nebraska and afterwards became the committee bill of the Committee on Agriculture of which Senator Norris was Chairman. It provides for the retention of the great hydro-electric and steam power plants built by the United States Government at Muscle Shoals and for their operation by the Government with service at cost to the municipalities, states, individuals and corporations of that section of the country upon the principles of public ownership outlined above. Muscle Shoals should not be sold, nor leased nor given away, nor by any means be allowed to pass into the ownership or control of any private individual or corporation; but should be held by the Government, owned and operated with service at cost and thus made the first great unit in the public superpower system of the nation.

"2. **Twelve Hydro-Electric Plants Owned by the Government on Reclamation Projects**—The United States Government owns and operates twelve hydro-electric plants besides the Muscle Shoals development. These are in connection with the government reclamation projcts in the western states. Some of these projects are making wonderful records serving cities, towns, villages and farming communities at rates almost as low as those of the Ontario system. [19] These should be retained by the government and made additional units in the public superpower system. Moreover, the government should develop, expand and enlarge these plants. On or adjacent to these projects, we are told, [20] there are over 1,500,000 horse-power of hydro-electric energy that may be developed.

"There are also the water courses of the nation—rivers like the Columbia with its 21,000,000 horsepower of potential energy; the Colorado with its 6,000,000 horsepower; [21] cataracts of Niagara, the rapids of the St. Lawrence and innumerable lesser sources of power —all of which should be developed as the system progresses and made units in the public power system.

"3. **Two Thousand Five Hundred Municipal Power Plants**—Meanwhile, there are now 2,581 municipally owned and operated light and power plants in the United States. Some of these municipally owned plants are already expanding into superpower systems. Seattle, for example, is now completing a great hydro-electric power development more than 200 miles distant from the city in the Skagit River district. This system it is interconnecting with its steam power plants and these in turn are all interconnected with the municipally owned power system of Tacoma 40 miles to the south.

"Los Angeles and Pasadena constitute another developing center of public power in the southwest, and Winnipeg another to the north, while Cleveland, Ohio, and Springfield, Illinois, have municipal power plants of striking success in the middle west. Besides these larger municipal power plants, there are literally hundreds of smaller ones scattered thruout the various states, every individual plant consti-

19—For details see "Public Ownership", by Carl D. Thompson, 450 pages, illustrated, T. Y. Crowell Co., 1925, pp. 26-33, $3.20 postpaid. May be ordered of Public Ownership League, 127 North Dearborn St., Chicago.

20—Nineteenth Annual Report of the United States Reclamation Service, 1919-20, p. 38.

21—"Problems of the Imperial Valley and Vicinity", Senate Document No. 142, 64th Congress, 2nd Session. See also "The Colorado River and Its Utilization", Water Supply Paper No. 395, by E. C. La Rue of the U. S. Geological Survey, Washington, D. C.

nation conserve their natural resources and really control their public utilities and work out any satisfactory solution of the problems involved.

"**Industry and Agriculture**—Industry is vitally effected because cheap power means industrial expansion. The farmers will be interested in superpower because of the advantages it will give them in the matter of cheap power for all farm purposes, the improvement of their home conditions, the production of fertilizers and the improvement of transportation and market facilities.

"**Labor is for Public Superpower**—The wage workers will be interested because of the improved conditions not only in the matter of wages, hours of labor, etc., but because of lowered costs of the various services that enter into the cost of living. Every new invention, every labor saving machine that has come into the industrial field heretofore, has wrought a hardship to labor. The industrial revolution of the last century disrupted certain industries, created new ones, recast others and displaced great groups of the toilers. Multitudes were thrown out of work from time to time and unemployment, poverty, distress and despair followed as the lot of untold millions. With these facts in mind and facing now the on-coming of another industrial revolution still more vital and far reaching than that of the age of steam, labor may well gird itself for the supreme test of its age long struggle. In this case, however, it has advantages which it has never enjoyed before. And chiefly this—that in the struggle for the public ownership and democratic control of superpower, its interests are common with those of many other essential groups of the existing order—the farmer, the business man, the manufacturer, the municipality, the women's groups—in short, with those of the general public.

"**Superpower Essential in Mining**—The miners will be especially interested in this publicly owned superpower because it will give them better power with which to work and better and safer conditions, and a more stabilized employment.

"And here a special word of explanation with reference to the future of mining under the coming superpower system. Fear has been expressed by some that superpower and especially hydro-electric development would reduce and finally eliminate entirely the business of coal mining. There is no ground for such fear at all. If every drop of water that fell upon the continent could be converted into power it would supply only a fraction of the power needed. And, of course, only a small part of the water power can be utilized. The Giant Power Survey estimates that only about 10 or 11 per cent. of the energy now used in Pennsylvania is produced by water power and that there is little probability of this proportion being materially increased. [26] It is evident, therefore, that the development of public superpower will greatly increase rather than lessen the demand for the products of the mines. And at the same time the better organization of the industry and its control in behalf of the general welfare and public interest will greatly improve the miners' condition in every respect.

"The electrical workers, telegraphers, street car employees—and all others in any way connected with employment on public utilities using electric power will be especially concerned in the movement for the public ownership of superpower not only because of better labor conditions that are certain to prevail, but because of the great expansion and the opening of new fields of employment and new oppor-

26—Giant Power Survey, pages 94-95.

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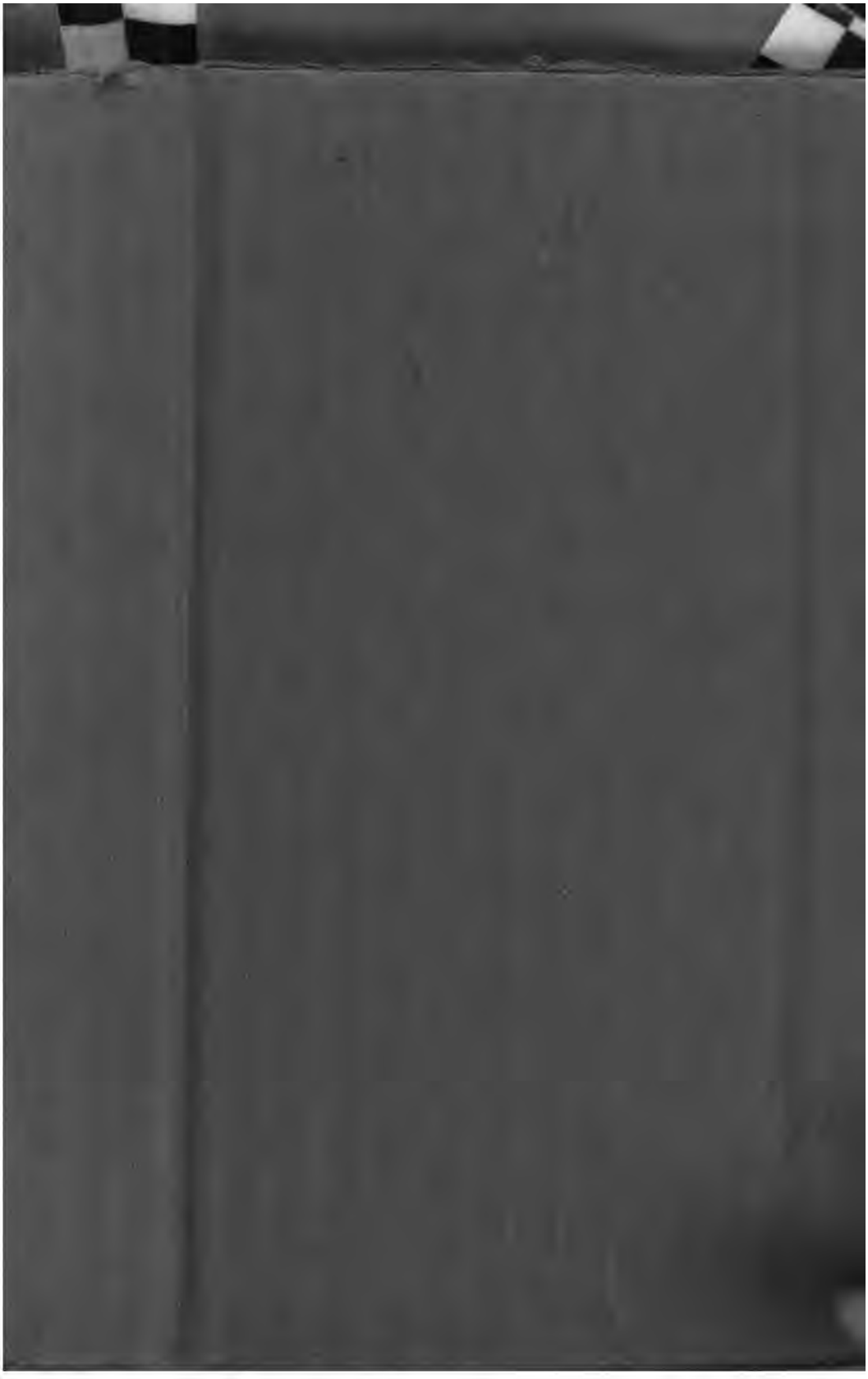

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BULLETIN No. 26

A Truly National Money System

Address Delivered at the Monetary Conference at Washington, D. C. November, 1921 and at the Public Ownership Conference at Toronto September 10, 1923.

By

Cornelia Steketee Hulst

M. A., M. Pd.

...ts. SPECI... IN QUANTITIES

...e of America

...IS

THIS STUDY OF TRULY NATIONAL MONEY
IS DEDICATED
TO THE MEMORY OF THAT GREATEST OF STATESMEN,

SOLON OF ATHENS

WHO GAVE HIS NATION
HER TRULY NATIONAL MONEY SYSTEM
AND THERBY HER GOLDEN AGE;

TO THE LIVING APOSTLE OF TRULY NATIONAL MONEY,

THE HON. ALEXANDER DEL MAR,

WHO BY HIS MANY YEARS OF RESEARCH AND HIS WRITING OF MONETARY HISTORY, FOLLOWING HIS MANY YEARS IN THE SERVICE OF OUR GOVERNMENT AND IN MINING THE PRECIOUS METALS, GAVE US THE LIGHT OF EXPERIENCE TO GUIDE US INTO THE BETTER WAY;

AND TO THE SOLONS OF THE FUTURE

WHO WILL GIVE THE MODERN NATIONS TRULY NATIONAL MONEY AND A NEW GOLDEN AGE.

MRS. HENRY HULST.

GRAND RAPIDS, MICHIGAN.

A Truly National Money System

By Mrs. Cornelia Steketee Hulst

Our Money System is now traditional with us, and until recently most of us have taken money into our hands and spent it just as we take air into our lungs and breathe it out, without thought of how or where it came into existence or whether this institution is good and our system the best possible. When something goes wrong with the body we begin to think about it, and now alarming symptoms have appeared in the body politic. Farmers, laborers, business men, and bankers, with all who depend upon them, are facing an anxious future. Does our Money System differ to our advantage from the Money Systems of other nations that are judged the best in history? It is the purpose of this paper to present some of the facts from history that bear upon this question. All have their lessons to teach us, and, where it would be a great mistake to adopt any system from the past slavishly, we shall better the earlier best if we secure the good features from all and avoid the mistakes.

At the outset, as we approach a reconstruction of our Money System, to make it again truly National and for the profit of the nation as a whole, we must remind ourselves that it would be unjust to judge all of our bankers and financiers as if they had been conscious of how far from the best the system is by which they have made their money. In justice to them we must remember that our system is now a tradition and that most of them have merely played their game so as to make the most of their chance, shutting their eyes to the wrongs that it involved. Now that it has come time for us all to open our eyes, they should show themselves willing to help in making old wrongs right—wrong does not become right though it may have prevailed for one or two centuries, as the present money system has, and legal privileges that were originally secured by corruption can never become "rights" though legal legislative bodies have voted them, as legal bodies voted our money laws. Bad laws should be repealed even if part of the Constitution—our Banking laws are not a part of our Constitution, but were passed in the usual way and can be amended or repealed as easily as they were passed.

Most of our institutions and practices in business are very ancient, and come to us from Babylon, but unfortunately the truly national Babylonian Money System did not come down to us. In Babylon the nation's money

cealed until after the Bill had passed. Jefferson then accused him of securing this vote by intentional misrepresentation.

"The people, sir, are a beast", said Hamilton, and his Money System was designed to burden them in the interest of money lenders, whereas Jefferson's truly national Money System would have enriched the nation. When Jefferson was made President he was not able to bring about the changes that he desired. In 1816, he wrote to John Logan, "I hope we shall crush in its birth the aristocracy of the moneyed corporations, which dare already to challenge our government to trial of strength and bid defiance to the laws of our country"; to James Monroe, another of our Presidents, he wrote, "We are completely saddled and bridled, and the Bank is so firmly mounted on us that we must go where they ill guide"; and to John Tyler he wrote, "Banking institutions are more dangerous than standing armies". Today Jefferson's' opinion is seen more than justified.

What the People Lose by Private Banking

The corrupt Land-Taxation-and-Money-Law of 1666 thus marks one of the greatest turning points in the world's history, and the question faces our generation whether it has justified itself in benefits. How much money has been collected from the people as a result of it in unearned rents, interest, discounts, etc., for landlords, bankers and stockholders, and have their privileges grown into "rights?" How much unearned money has been squeezed out of the working public through banking agencies by "bonding", "funding", "watering stock", and drawing dividends on the "water", in public utilities as well as in commercial ventures? Acting together through "community of interest" these groups dominate Government and control the policies of this nation, as President Wilson told us in 1910, before he was himself acting in agreement with the financiers, in "The New Freedom":

"We have come to be one of the worst-ruled, one of the most completely controlled and dominated governments in the civilized world—no longer a government by conviction and the vote of the majority, but of government by the opinion and the duress of a small group of dominant men".

It is clear that we shall see no change in favor of the people until we control Money Power by correcting our Money System.

Transportation and Irrigation as Well as Banking Undertaken by Treasury in Babylon, All Profits to the Treasury, Not to Corporations

In Babylon, the canals on which the Euphrates Valley depended for irrigation and transportation were built with money from the national Treasury, as early as the days of Hammurabi, 2500 B. C., and paid, therefore, no tribute to private bankers and stockholders, as most of our irrigation and transportation facilities do, but returned rates and tolls to the public Treasury. With this national policy, it is not surprising that Babylon was a rich nation—we might be rich, too, if we would follow her example. If we owned our transportation system and could pass such a measure as the Newlands Bill for the conservation of forests, prevention of floods, and irrigation, supplying the funds from the Treasury and drawing a return of 3% or 4%, our Treasury would soon be overflowing by the income from rates and tolls and we should be far richer by the developed and productive country. Certain individual citizens would have been helped by the nation, and they would

been the goose that laid the golden eggs for corporations that nearly killed it, and irrigation has been delayed, while what canals we have are built by private corporations that charge ruinous rates to users to pay returns for those who lent the money to build them. That money, the nation would supply at a low rate, but still profitable, if we were as wise as Babylon. If this nation paid for its roads and canals out of issues from the Treasury instead of practically giving its issues away to the Banks, private capital need not be tied up in such public works, and owners would be able to invest it in strictly private ventures, to the advantage of all concerned. An approximate estimate of the advantages that this would be to the Nation is given us in Mr. Ford's proposal as to the Muscle Shoals. There need be no unemployment in a State where new issues are spent in developing and maintaining works for the public good.

Loans to Farmers from the Treasury in Babylon and Greece: No Loans of Issues to Bankers

In ancient Babylon, also, farmers were given aid from the public Treasury for the production of their crops, and if a borrower failed to produce a crop by reason of a bad year, the law did not make him stand the loss alone. Here, again, the Babylonians were wise, for the production of food is essential for national wellbeing, and if farmers fail, the nation suffers with them, especially and directly the merchants and manufacturers and those whom they employ. Other wise States have recognized this principle and have lent money on reasonable terms to farmers, not as a charity, but as a means to national prosperity. In ancient Athens, the justest and wisest State of which history tells, farms and equipment were furnished to farmers by the State at 10% of the income. This covered interest, rent and taxes, and was later lowered to 5%. In Australia recently farmers who suffered loss of their crops through a drought were given **by the State**, seed, fertilizer, fodder and other necessary stores, along with money to tide them over the bad times, and finally, because the failure was due to natural causes which they could not control, the debt incurred was not made a charge on the individual, who had suffered enough trying to produce the food for the nation, but on the State.

Agricultural districts should have banks in which they could borrow from the Government without the intervention of bankers, at a low per cent. We will consider this more fully later.

Present Evils Due to Private Control of Money System

In the past two years the need of nationalizing our money has grown much more apparent, from the sad experience of our farmers. Loans on farm mortgages have been called and credit has been refused to farmers, widely, on the advice of the Federal Reserve Banks, though at the same time money was plentiful in New York at high rates for speculation and great amounts were held available for foreign loans at high rates of interest. As a result of the calling of loans and the refusal of credit to farmers, prices of farm products fell, reducing an appalling number of farmers to bankruptcy and causing farmers as a class to lose billions of dollars, a loss which was felt next among merchants and manufacturers and their employees, for their products must remain unsold to the amount of the farmers' loss.

At the time of the greatest need twenty-one states were supplied with less money through the Federal Reserve than was centered in New York

But evil did come upon them, and Israel fell. Though forewarned by her true prophets, she had continued to tread the broad way of her profiteers; she stoned or imprisoned her prophets, and she sacrificed Him who would have been her Savior. When the day of her reckoning came, her high places were levelled. In every succeeding age, some of her leaders have fanned the flame of hatred against their race by their practice of taking usury and thus grinding the poor, for all charges of interest come back on the people to pay, being figured in on the prices of articles sold.

Not, however, that the Jewish money-lenders have been alone in these practices. The early Christians and the Christian Church stood firmly against the taking of any interest between man and man, but later the Christian conscience became calloused by the flow of ill-gotten gold into Europe from the East and the West, through piracy and extortionate trade, including the slave-trade. Finally, legal rates of interest were fixed by the Christian nations . . . Not he that sayeth the Name!

One principle on which Moses and the Christian Church condemned usury was that no man should profit out of a poor brother's need, but should lend to him gratis; and this principle will always hold good. But if money is borrowed by an enterprising man who is not poor, to enable him to carry on his business better, the moral case is entirely different, and the moral consideration is, first, whether the borrower and the lender treat each other equitably, but, along with that, whether the arrangements made by these two injure the rest of the people. When interest is paid on money borrowed, it is counted as a part of the cost of the goods produced, and a price is put upon the goods high enough to cover this charge, **so the people pay the interest while the lender receives it to spend for his private purposes.** The cost of living has now been enormously raised by indirect interest charges, and many money lenders are now able to live on interest without rendering society any services in return. If we had a system of truly National Banks, including Postal Savings Bank, such as Australia now has, a person who borrowed to purchase a home or to conduct a legitimate business would be aided by the public savings and the low rate of interest he paid would not injure the people, for it would return to the Treasury, to be spent for their needs and to lower their taxes. Such a system is as beneficial to the people as to the individual borrower. A low rate of interest to depositors who give their savings to be lent for these good purposes has proved to be an advantage, encouraging both the thrifty and the enterprising, while it enriches the national Treasury. A development of our Postal Savings Departments into Postal Savings Banks, with power to receive deposits, to permit checking against accounts, and lending on homes, etc., would give us the advantages of a truly National System.

The legal protection given by our system to those who take interest in all forms and the giving over of the money system to those who now legally pocket the public profits, dominate business, and dictate national policies, mark the far remove of our modern world from the spirit of the Prophets and Christ, and of the early Christians, not to mention Babylon and Greece.

Money System of Greece Truly National Under Solon: Burden of Interest Lightened, Profits to the Public Treasury

Let us also note the far remove of the modern world from that wisest of the ancient nations and relatively true Democracy, Athens, the leading State of Ancient Greece. Her money system had much to do with the

ıg. They know that there is a power somewhere so organized, so subtle, ratchful, so interlocked, so pervasive, that they had better not speak above r breath when they speak in condemnation.

"There has come about an extraordinary and very sinister concentra- in the control of the business of this country . . . It is more impor- still that the control of credit also has become dangerously centralized. the mere truth to say that the financial resources of this country are t the command of those who do not submit to the direction and domina- of small groups of capitalists. The great monopoly of this country is onopoly of big credits. So long as that exists our old variety of free- and individual energy of development are out of the question".

By nationalizing the Money System of Athens, Solon not only made her rom such evils as we see from private and corporation control, but at ame time he filled her Treasury with the profits that would otherwise made the rich richer, and more dangerous, for History has shown that the very rich who mainly corrupt politics and finally kill the State just as a cancer finally kills the body in which it grows.

A large part of the reforms of Solon must have been made easy by the issues of money that were put into circulation then from the Treasury gh the new mint which he opened. While debts were paid off and in- t charges stopped, the generous supply of money stimulated the ns into activity and made the Golden Age of Athenian prosperity pos- If modern Solons should issue enough money from the Treasury to Western nations such a sound foundation as Athens had economically, ng off public debts and recovering for the nation its roads and mines, elling "water" but meeting all just claims, the Western World would e a chance for such a Golden Age as Athens had following Solon. At stroke the most needful reforms would be accomplished, the burden uld be lightened and further interest charges stopped, much money that is day tied up in purely parasitic investment would be set free for invest- nt in productive enterprises, and exchange would be to the great advantage manufacturing and international commerce. The same could be accom- ished by declaring national bonds currency, and stopping the interest on em.

As a result of the fullness of her Treasury, Athens was able to do what a strong argument for us to follow. She spent richly for public purposes. ıe could undertake public works and faced no problems of unemploy- ent. Without laying taxes on her people she could build the navy that was defend them and the Western World against the coming attack of the ersian Empire. If Persia had made her attack upon Greece before the just ws of Solon had given Athens strength, she would have found Athens an sy prey, her poverty-stricken, discontented people rising against the rich ho oppressed them, the nation as a whole poor and weak. On the foun- tion which Solon laid in Justice, Athens became rich and the spirit of her ople rose to the new life which was opened to them. Thought and Art ere stimulated as at no other period and in no other region. The Art of thens was a public Art, and, with public patronage, it did not become a ing apart, degraded to serve the purposes of private luxury and display; r a means of private investment that would bring forth high profits; nor a ıme of collecting rare and expensive things, as it tends to become where e getting of money is the game of life. In Athens, Art was a means of rving the gods worthily by making perfect in beauty whatever was used r the public life of people, including Music and Drama, to inspire, ennoble, ıd uplift. *Private patrons never develop such spirit or such Art, even if*

supply broke down, there was nothing left but retro-
The modern world is more fortunate. It has been
arrest the fall of prices with private paper money and
arrest the fall of prices permanently without resort to
resting upon government paper money and credit".

A Cheap Medium of Exchange Best

uncement in favor of a cheap medium, with Government
and Credit, this greatest of our historians of ancient and
in complete agreement with the greatest of Athenian
ers on money, Plato, who, in his Republic, stood for a truly
urely Numerical System, such as Athens had, but employ-
sive medium than the silver and the gold that Athens used.
lato's day were not so wise as to follow his advice—he com-
orms were hard to bring about because of the opposition of
by existing conditions. Following Solon, the money supply
nly adequate, but generous, with the effect of stimulating trade
ing new ventures: after Plato the stringency grew serious,
accompanied by retrogression and decay.

Lessons from Rome

ato was right when he said that money should be made of an in-
edium preferably, because its value depends upon the amount in
not upon the material of which it is made, was to be proved in
istory of Rome. The Roman Republic, before her degeneration
rs and conquests, had adopted the Money System recommended
is being truly National, purely Numerical, its medium inexpen-
early Roman money was bronze, of little intrinsic value and
ntrolled by the State against both inflation and contraction.
nt money, like Athenian money, was not "based" on anything
of the State creating it. Many other materials of little intrinsic
been used successfully as money. Gibbon observes that in this
e was never disturbed by sedition or polluted by such atrocious
came frequent later. Her people enjoyed civil freedom, and the
virtues thrived in home and nation; her laws were equitable,
th nor poverty had become extreme, and her growth was steady

In her wars, Rome became corrupted. When war-chests of
er were captured, when the silver mines of Sardinia were taken,
ie treasuries of the sacked cities of Sicily were looted, the spoils
t to Rome by the commanders of the armies, who were members
ian families and who were now further enriched by the captured
tals. To their advantage, their Metallic Money soon displaced
Numerical Money, and the Empire soon followed the Republic.
ational spirit was changed. Wars of conquest were carried to
the ancient world, "and always the blood-stained metals flowed
ie". "Livy and Tacitus tell of the extreme of luxury that now
l the nation, and Pliny curses the gold that brought in its train
ls to Rome". We know how the end of Rome came, after many
after loss of liberties, and amid general degeneration—it is the
very nation will face that permits a favored few, or a privileged
ich themselves at the expense of the impoverishment of the na-
ich permits domination of money interests.

ever been devised: (1) with Private Control by self-interested financiers; (2) with an inadequate, expensive and dangerous Medium, gold, (3) with no Numerical relation between the increase of the national wealth and the new issues, but our new issues "based" on our varying gold supply, sometimes plentiful to inflation, sometimes contracted, with all attending evils; (4) with no income to speak of from national loans, no rates from national irrigation canals, no fares from the national transportation service, no profits from national mines, no rates to the Treasury for the national Exchange and other operations of banking, such as those other great nations of History had to enable them to run their distinguished course! Instead of these we have only larger and larger public debts, heavier and heavier taxes, higher and higher cost of living, richer and richer millionaires and billionaires, and more and more discontented people . . . Verily, if this goes on, only worse and the worst will follow. We shall extinguish ourselves in disaster unless we become wise in time".

When we look to our times, we find all of the modern nations living in daily fear of class war. the many in poverty, dependence and restricted opportunity, the few with excessive riches and exercising increasing domination. These are results which threaten civilization itself and imperil the future of the white race. Evils equally alarming are seen in the world of the spirit: an excessive regard for money, increasingly scaly means of acquiring it, and hardened disregard of human health, decency, and beauty. In London, where Ruskin and Morris worked through two generations to get a hearing for social justice, witness the housing conditions; and these could be matched in other cities, perhaps in New York and Chicago. And it is not only among the poor that the vices thrive, but they batten also on the ill-gotten gains among "upper class" degenerates.

RECONSTRUCTION

Let us review a few of the points in the history of money, in which the people have lost as the few have gained, to see something of what we shall have to reconstruct.

ABUSES TO BE CORRECTED

(1) Until the end of the 17th century many expenses of administration had been paid in England by "tallies" issued directly from the Treasury. These circulated as money and finally returned to the Treasury in payment of taxes, having cost the public no interest in any form. The Banks retired tallies as soon as they obtained the power to do so, replacing them with their new paper notes, on which they could draw interest, for they lend their paper notes to business men who wish to borrow, and these charge buyers enough for their product to pay the interest charge. So the public pay. Our "greenbacks" were like the old English "tallies", costing the public no interest in any form. Vast sums in interest would be saved to the public if "greenbacks" were issued directly from the Treasury to pay many public expenses. **If each year just enough new money were issued to equal the national gain in riches, the currency would remain stable, the purchasing power of its unit remaining the same and prices changing only because of a varying supply of goods to be purchased.** When less is issued than the nation's gains, there will be too few dollars in relation to the things to be purchased, the currency will be relatively contracted, money will be harder to get to pay debts, and a panic may occur, in which many will have to sell at low

[illegible] money.

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[illegible] former war. We
[illegible] and the na-
[illegible] development
[illegible] our econ-

[illegible] reasonable
[illegible] Treasury
[illegible] charge, called
[illegible] Treasury's
[illegible] Government pays
[illegible] rolls is running.
[illegible] create an illusion
[illegible] millions a year.
[illegible]

[illegible] keeping the bank
[illegible] hold only enough to
[illegible] experience has
[illegible] our Postal
[illegible] checking accounts, it would be
[illegible] surplus funds could be used for
[illegible] would greatly reduce the speculative ven-
[illegible] with depositors' money that specula-
[illegible] banks at present. This would give us a truly National

[illegible] tepetul sign of our times that Australia has partially estab-
[illegible] System, and has profited by it enormously since
[illegible] has done so.

(IV) By our system of issuing money through Banks of Issue, the bankers are permitted to profit twice (1) on the interest-bearing securities which they deposit in government vaults in order to receive the new issues; (2) on the new issues which the Treasury gives them almost gratis when they deposit their securities, and which they lend to best advantage. The public pays interest twice, (1) on the bonds, (2) on the issues, for the interest which the man who borrows pays to the banker he will add to the price of the articles he sells to the people, and collect from the people, adding to the cost of their living. If the government put its new issues into circulation paying expenses, lending to farmers and business men, developing mines, water power, irrigation, transportation, etc., it would make a double saving, (1) it would not have to borrow so much on bonds, (2) it might even draw interest for loans on homes, farms, utilities, and the like.

(V) In earlier days, all profits on bills of exchange, and for foreign trade were to the advantage of the nation, being issued only from the Treasury. This right to control exchange should be resumed. Lower rates would give a better service under national control.

(VI) It is extremely important that the body of money be stable in a nation, neither contracted nor inflated. If it is contracted, as we have seen, there is danger of panic, and those who have money will be able to buy more than is just; if it is inflated, each dollar will buy less than before inflation occurred, a very great hardship to those who live on fixed wages, salaries or savings, as we realized recently when inflation occurred by heavy issues. Too many dollars in circulation in proportion to the things to be bought raises prices. Our system has been called the **automatic system**—camouflage is certainly no new invention. How far it is from being "controlled" not to speak of "automatic" will be seen in the following, quoted from Del Mar's "Science of Money":

"It is neither a system nor is it automatic. So far as the State is concerned, it consists in leaving the supplies of money to depend upon the following circumstances: (1) the chances of mining discovery; (2) the opening and working of mines; (3) the productivity of mines; (4) the ownership and transfer of mines, it being clear that when they are owned by aliens as is the case today with many of the mines in America and South Africa, their product is no more available for the native mints than is any other metal owned abroad; (5) the demand for the precious metals in the arts; (6) the demand for such metals for export; (7) the wear and tear of coins, a circumstance that depends as much upon the emissions and denominations of paper money as upon the emissions and size of coins; (8) the loss of coins by accident and hoarding; (9) the mint laws; (10) the intrigues of the money-lending class, which now includes not merely millionaires, but sometimes ambassadors and ministers of state, and in a few instances reigning sovereigns in their private capacity, and the members of their families. This is not a system; it is a lottery, employed by money-lenders who play the game with loaded dice. There is nothing automatic about it".

Verily, to satisfy the demands of Justice, we need a system of public and national bookkeeping, to show whether our money is contracted, stable or inflated. To some extent, our Government does still control when it desires, as it did before this war, when many of our bankers were hoarding money with the expectation of taking advantage of the stringency that they were creating. Those who were hoarding were ordered to discontinue them *by the Treasury.*

(d) To give Congress an object lesson not to meddle with Big Banking, which members of Congress, along with common people, are not supposed to understand;

(e) To demonstrate to Congress and the public how valuable an "elastic" system would be to avoid panics, with a view to securing a new law giving greater power to the central bankers.

(f) To give an object lesson to bankers, which should also be a warning, not to go against Morgan. Since then bankers have not even lifted their voices in wholesome criticism or suggestion when invited to do so, and, in general, they are as far from safe as they are far from free unless they stand "solid" with the system. When the retail coal dealer did not sell according to the schedule furnished from "above" by the coal "Barons" and found that the railways delayed delivering his coal, he found also the next time he applied for credit, that he was embarrassed in the banks. As "The New Freedom" phrases it, "Organization will see to it that the ground is cut from under him and markets are shut against him", by that "power so subtle, so organized, so watchful, so interlocked, so pervasive". From high to low, men in banking and business learn this lesson. As they are controlled themselves, so they have controlled employees. They were obliged to do so.

The smaller banks must do what the big banks order, the business men must do what the banks advise, employees must do what business men request, or pay the price—and the price has been very high; discharged. dishonored, blacklisted, "framed", boycotted, financially ruined, "gently hazed", ostracized, deported, physically tortured, even lynched, perhaps by "gentlemen mobs" in high power automobiles.

Revelations of the Pujo Investigation

That "money power" had been thoroughly organized before the Knickerbocker Trust Company was wrecked, and its methods had been carefully studied by scholars like Lincoln Steffens and Woodrow Wilson before 1910. It was also exposed and condemned by the Congressional Committee appointed to investigate it, whose Chairman was Mr. Pujo. The Pujo investigation showed that five of the great New York and Boston banks had been acting together contrary to the Anti-Trust Law, and it would have made an exhaustive study but that President Taft forbade the Secretary of the Treasury to answer its questions further. However, its work was sufficient to show the danger from centralized money and much of the evil it had wrought. The report of the Pujo Committee should be carefully studied by those who have doubts as to these methods and evils.

And now a strange thing happened. Twice the efforts of the Money Power to secure a Central Bank by National legislation had failed because it was feared that a Central Bank would have too much power over the rest of the country. This secret coalition of the five investigated by the Pujo Committee had proved the point, and the five had been ordered to cease under the Anti-Trust Law. President Wilson was elected on a platform which declared, "We oppose the so-called Aldrich Bill for the establishment of a Central Bank, "but, as early as possible after his administration began, in 1913, the Federal Reserve Act was passed, establishing **twelve banks that are unified in a central Board and always act as one,** (as Paul Warburg testified before a Committee of Congress) **and which ARE therefore THE Central Bank which had been voted down and definitely condemned in the plat-**

that Russia will succeed under her truly National Banking System have anything to do with the long opposition to her experiment in Government from London, Wall Street and Paris? The Bank of Moscow, like the Bank of Australia, also truly national, is very successful. If Russia succeeds under this truly National System, other nations will follow her in making money again purely and entirely an affair of the State, dispensing with control in New York, London, Paris by private Big Bankers. To day the Russian chervonetz, 10 ruble gold-note, sells in London for prewar value of 10 czarist rubles, while the English pound is still considerably below the prewar rate; and 43% of Russian expenses are now being paid out of profits on national business undertakings, of which banking is the most important. These figures are eloquent with meaning, that Russia, which has adopted Solon's truly National Money System, returning profits on banking to the Treasury and paying out new issues for government expenses and public works, is well started toward prosperity and a Golden Age, while the rest of the European nations are bankrupt, or in danger of bankruptcy.

A Conspiracy Against the Nation

This situation has made many of us very anxious for our country. The Congressional Record of Feb. 12, 1917, contains an impeachment of the Federal Reserve Board for conspiracy against this nation, giving in partial evidence the story of the secret meeting held by members of New York banks condemned by the Pujo Committee, and how they made the plans that secured the Federal Reserve by law. The incident, of which I will quote part, was told first of Paul M. Warburg in the series called "Men Who Are Making America", by B. C. Forbes, editor of the Business Magazine, in admiration of his hero. I will quote the story in the author's words because my own phrasing, though restrained, might seem too lurid:

"Picture a party of the nation's greatest bankers stealing out of New York on a private railroad car, in cover of darkness stealthily hieing hundreds of miles south, embarking on a mysterious launch, sneaking onto an island deserted by all but a few servants, living there a whole week, that the name of one of them was not once spoken lest the servants might learn their identity and disclose to the world this strangest and most secret episode in the history of American finance. I am not romancing. I give the world for the first time the real story of how the Aldrich Currency Report, the foundation of the new currency system, was written".

Was ever conspiracy more convincingly drawn? The article goes on to name Senator Aldrich, always the mainstay of the Interests in the Senate, as one of the party, along with Henry C. Davison, a leading member of Mr. Morgan's bank, Frank A. Vanderlip, President of Rockefeller's National City Bank, Paul M. Warburg, a member of the firm Kuhn, Loeb & Co., and others, from the firms condemned by the Pujo Committee. An article in the Outlook claims that W. G. McAdoo also was greatly instrumental in securing the Federal Reserve legislation, but whether he was at the island I have not learned. He rose to prominence connected with Kuhn, Loeb & Co., and served under President Wilson as Secretary of the Treasury, thereby becoming ex-officio Chairman of the Federal Reserve Board.

To this circle of financiers, ominously secret and silent, must be added the Silent Colonel House, who, we are told in his "intimate biography", "The real Colonel House", has been for many years past one of the strongest forces working secretly to bring about (1) the gold standard and centralized

in the banking system—"a clear case of calculated fraud perpetrated upon an unsuspecting people" it has justly been called. The part the Press played then and since in serving the policies of this interested circle should be made the subject of congressional investigation. Editors may have been entirely innocent of collusion, as the people were, and as most of the congressmen doubtless were.

The Citizen's Leagues and the newspaper articles appeared, and when the Federal Reserve Bill, or the Owen-Glass Bill, to be more exact, was in process of passing, observers the best qualified and on the ground did not see the machinations by which it was secured, so secret and silent was the management. A journalist and historian of national reputation was commissioned by one of our magazines to go to Washington to report it, but saw nothing whatever to cast doubt upon the proceedings. The Federal Reserve Bill was passed practically without opposition, without discussion by the Press, without discussion by the people. Ho, for Democracy in the hands of men like Col. House, and the financiers on the Island! And ho, for Secret Diplomacy! for this Bill may have been rushed through with a view to the war that was coming, for in the biography of Colonel House we are told that President Wilson had been enlightened on the international situation by President Taft even before he assumed office, and that he resolved to pursue the policy of Watchful Waiting in Mexico so as to keep his hands free for the European War that he now saw looming upon the horizon. Why did not those two publish those facts then? That was before the events in Servia. There are times when silence is golden, but this secrecy must be held responsible for what followed.

The World in the Grip of the Banking Trust

It is abundantly evident from Lord Cunliffe, quoted, that the Federal Reserve was of very great service in financial matters in London even before we entered the war; at home it was whipping us up for war by Central Banking methods, in fact, the inner circle of the National Defense Committee was organized and efficient before it appeared on the surface, and before we entered the war, as we learned through one of the Congressional investigations. Congress and the people seem to have played a very small part in what was going on, for events as well as motives were carefully hidden. If the men of the innermost circle, as Carnegie, Morgan and Colonel House were of the aggressive international imperialists of that secret Rhodes-Society of Multimillionaires, planned by Rhodes in 1877, and working secretly, according to Rhodes' plan, "by the methods of the Jesuit Order", to support the imperialists of England in painting the map of the world a British red and bring the United States again under the British flag, they could not have devised a measure to serve their foreign purposes better, abroad and at home. Certain it is, that world events have followed the course then planned by that aggresive Tory Imperialist diamond-king. Under his personal direction of England's foreign policy, Egypt was occupied and the South African Republics were wrecked and annexed, our own Government aiding in this destruction of the Republics, under a secret "understanding", "Treaty if you please", contrary to the treaties which our senate had made publicly and according to the Constitution. Ho, for the sacredness of treaties in the hands of men like President McKinley, backed by men like Carnegie! and ho, for the Constitution!

egie l committed himself to our re-entering the British Empire, l now the War-before-1920, which Rhodes planned in the

thinking or sentiments," had ended as he planned. Russia, the United States having fought as allies of England and eliminating the German Empire. The point seems amply proved that not only important of the Central Powers were playing the old game for money and profits on investments, but that all of the cabinets had men who [illegible] while the people in all of the nations were dreaming of [illegible] and Peace.

[illegible] proof of imperial and financial purposes among the Allies [illegible] secret and proposed, many of which are now open before us. [illegible] Covenant proposed, but incidents that have occurred show imperialists and New York financiers the victors. Made with the utmost secrecy, submitted does not even incorporate the more democratic Fourteen Points which cheered our American hearts and permitted the German people to seek peace, but satisfies the imperial purposes especially of England, even proposing to bind the United States [illegible] the Empire's present boundaries and to fight at her call, thus [illegible] the permanent status of a Colony of that great Empire which [illegible] aggressive and more powerful than the one we helped to [illegible] significant sign of the motives in dominant New York is [illegible] influence was against the Fourteen Points. When President [illegible] on his way to Europe a long telgeram was sent from New York to [illegible] the ground from under his feet by saying that his views were [illegible] the American people. And, to cap the climax, at the time [illegible] Senators, our treaty making power, were persistently denied information as to the provisions which were being secretly made, and were [illegible] of the document, Mr. Davison, of Morgan's Bank, was able [illegible] to New York from Paris. Mr. Root's explanation to Con- [illegible] explain away the implication, and nothing can explain it. [illegible] British Labor Party stood for the Fourteen Points and for self- [illegible] from the British Empire; our high financiers stood against

[illegible] controlled these officials in London and New York, without [illegible] of the people, can be seen in shadow in the treaty made [illegible] and also in the treaty that was not made there with Russia, of [illegible] had the testimony before the Senate Committee. Mr. Bul- [illegible] Lloyd George, President Wilson, and Colonel House ar- [illegible] with Russia and that in the judgment of these most [illegible] agents satisfactory terms had been made. But when [illegible] the document to London to submit the matter to [illegible] compelled him to drop the project. Parliament [illegible] would doubtless have been glad to make that peace, [illegible] permitted to know about it. When Lloyd George [illegible] House of Commons as to whether there was a project [illegible] denied that he knew anything about the matter, and [illegible] explanations, even after the Senate investigation, [illegible] declaration of war by Congress he transported our [illegible] and turned our guns against the Russian people [illegible] the happy impression that they were our [illegible] the treaty that Russia had made with the United States!

[illegible] President to reverse his policy and to violate our Con- [illegible] lightly! When we try to unlock these mysteries, [illegible] words in "The New Freedom" seem the only an- [illegible] to the time when a President of the United States,

or any man who wishes to be the President, must doff his cap in the presence of this high finance, and say, "you are our inevitable master, but we will see how we can make the best of it".

Not only the Prime Minister and the President "made the best of it", but Parliament and Congress did the same. After Mr. Bullitt presented his documents, no further investigation followed on either side of the Atlantic, but instead hysterical appeals were made to the people to stand by the Constitution! And the Security League energetically threatened those who raised their voices to question the President's policy, including Members of Congress... again that financial power of which the "New Freedom" had told us, "so subtle, so organized, so watchful, so interlocked, so pervasive that men had better not speak above their breath when they speak in condemnation". On both sides of the Atlantic (for the Bank of England is also an private institution, controlled for the benefit of private stockholders) questions and investigations are the more difficult because the international bankers are entrenched in the Private Banking System.

Rhodes' imperialist hopes of extended Empire and destruction of a rival, and Lord Cunliffe's hope of imperial world finance shared between London and New York have been realized, but it remains a question whether the people will realize their hopes of Democracy.

Central banking has been legalized and we now realize that our old variety of freedom is dead, as we did not realize it in 1910. And we realize also that the combined power of high finance is greater than the power of the government, and that it controls policies abroad as at home.

Whatever ulterior motives may have been served for those who secured Central Banking so secretly, the motive assigned was that it would give flexibility to our currency and so stop panics. That has not been tested, but will be good if true. We have had business and farm failures enough in these years just past to class this as a period of panic. However, this prospective advantages is offset by a very serious danger, that all of the money of the country will be absorbed, or so great a part of it as to endanger credit. It is hardly safe to put all of the eggs of the country into one basket, when that basket is in charge of those who have ulterior interests to serve. Choruses of interested praise have been given the Federal Reserve, and impressionable people who have never looked into the matter often speak of it as one of the wisest pieces of legislation ever passed in this country. The psychology of this seems to be that with which we became familiar in the campaign for Blaine, when his enthusiastic, unthinking supporters used to converse with themselves after this fashion, shouting answers to their own questions:

"What's the matter with Blaine?"
"He's all right!"
"Who says so?"
"We do!"

Some of the public were doubtless impressed, mistaking strong assertion for both fact and proof. Those who look upon the power of the Federal Reserve under the law, the tremendous power that it exercises in merely according clearing house privileges, by which it can dominate those "below" in banking and general business, will hardly shout an unqualified "Hurrah".

SIGNS OF AWAKENING

There are hopeful signs of awakening, both here at home and abroad; (1) The inequity and the iniquity bred by our system are making something of a stirring in our Churches—is it too much to hope that the law of the Early Church will be preached again from our pulpits, and that Usury, or interest, the taking of money for the use of money between man and man to the injury of the people, will again be condemned as morally wrong? Many of our people have been feeling the heavy hand of the Money Power, farmers, business men, and bankers as well as men employed by them. Many of them have been ruined by it, and all who do not submit to domination are in danger. Many of them must come to see the advantage that a truly National System would be to them, stable, free from domination from Wall Street, London, and Paris, and organized for service at low cost—instead of for the highest dividends to "big bankers" and their stockholders. The taking of interest by and through the State, at a reasonable rate, for lending citizens to develop farms, build homes and the like, will be equitable to both the borrower and his fellow citizens, and for the good of all in the community. If private banks continue to exist, they should not become a menace to the nation, and truly National Postal Savings Banks should stand ready to care for depositors' funds,—lending them to the profit of the nation. At present they hand the savings of the people to the banks for investment, to the profit of the banks. (2) The battle between Wall St. and the people is now on in the Northwest, and whether the people of North Dakota succeed or fail in carrying out their program, they have given us another object lesson of the danger and the wrong of our present system. The final outcome through the nation as a whole can hardly be doubtful when the issue is clearly seen. (3) In 1920 our Farmer-Labor Party committeed itself to a truly National Money System, and in the new alignment of parties which is now occurring this issue is recognized as of fundamental importance. (4) Co-operative Banks are being started, founded on the higher principle of Service instead of Profits, a decided advance in ideals and in appreciation of the principles at stake, though still far from solving the fundamental problems that will have to be solved. (5) Labor Banks, like that of the Machinists at Washington, mark a still further advance, and their International President, Wm. H. Johnston, has made a definite statement that this bank is a stage on the way to complete nationalization. If Labor Banks and Cooperative Banks will announce themselves for complete ultimate nationalization and will pilot the way to it, finally paying off their stockholders and turning over their organization to be operated as truly National Banks, they will be the leaders into the New Golden Age and the Land of Promise. (6) The Bill introduced by Senator Ladd points the way to effective nationalization of the issues of money and to the extending of credit so that special privilege shall not be given to banking corporations, but new issues and credit be a benefit to all of the people, encouraging agriculture and the owning of homes, the development of the resources of the nation in the interest of all, the lowering of the rate of interest on loans, and the return of an equitable sum to the Treasury. This is the system under which the great ancient nations distinguished themselves. (7) It is a sign of great promise that the richest man in our country, Henry Ford, has kept his own financial independence and is teaching the dangers and the evils of our present system, at the same time showing the advantages to the nation of a return to the ancient system of devoting national issues of money to works for the public needs. (8) That Russia has nationalized her Money System completely,

[illegible] stages in nationalizing her [illegible] the first step, is more than [illegible] that the rest of the world [illegible] the wagers in our Private System, [illegible] National System.

[illegible] the Money Reform sky is the Common- [illegible] established by the Labor Government in 1912, [illegible] pays no profits to stockholders. Unlike our [illegible] owned by stockholders and operated for [illegible] years. To the officials in charge it pays a [illegible] the initial impulse to the foundation of this [illegible] panic of 1893, which showed the Australian [illegible] security of the Private Banking system. That [illegible] speculation, which speculation the banks had [illegible]. When "lack of confidence" followed, the [illegible] fell 50 per cent., work stopped throughout [illegible] enterprises failed. Little money was in cir- [illegible] obtained—it was impossible for people to [illegible] accounts. But still the banks "made money" [illegible] which they had been so largely responsible [illegible] mortgages that they held though these often [illegible] cent. of the value of the parcels mortgaged.

[illegible] Party came into power in 1912, it estab- [illegible] Commonwealth Bank on lines that Athenian Solon [illegible] have approved. Notes that had been issued [illegible] over by the Commonwealth Government, [illegible] Australian Notes controlled by the National [illegible] wealth Bank had been empowered to trans- [illegible] Savings Bank business, which last was a new [illegible] was appointed, with undivided responsi- [illegible] With assets of only £10,000 in the form of [illegible] vernment, and with no capital supplied by [illegible] Bank of Australia began business. The [illegible], and within a year the Bank had more [illegible] from savings deposits. At the end of 1918 [illegible] ,000, and these profits belonged to the [illegible]

[illegible] savings to a limited amount and lends at [illegible] orders of homes, business men doing a [illegible]

[illegible] rage, it builds up a Bank Reserve Fund [illegible] used in repayment of any money ad- [illegible] redemption of stock issued by the [illegible] exceeds the amount of stock issued by [illegible] may be used in redeeming any Com- [illegible] taken over by the Commonwealth. So, the [illegible] public profits, and some fine day, [illegible] will be available for public works, [illegible] wiped indebtedness. In the mean- [illegible] advancing of mortgages that repre- [illegible] value of the parcel mortgaged.

The Note circulation of the Commonwealth Bank consists of Australian notes only, **and those are full legal tender for the payment of all debts, public and private.** The Commonwealth Bank conducts the notes agency on behalf of the Government in the various States, attends to the distribution of notes issued and to the sorting and cancelling of worn notes for destruction. The Commonwealth Bank also holds part of the gold Reserve for the Commonwealth Treasurer, but gold is not used for the general public, the paper notes being perfectly satisfactory. So Australian Money is now truly national in this bank, it is public instead of private in control, its issues are controlled by the Treasury, and it is mainly of an inexpensive medium, though still endangered by gold to some extent, as is the money of all of the modern nations. Issues are still "based" on gold and are not paid directly for public works. Future progress should be in this direction.

The great success of the Commonwealth Bank of Australia proves beyond a shadow of doubt that the people can do their own banking, control their own currency, and finance their own undertakings better than private banking corporations can do it for them. During the war, all of the financial transactions that took place between Australia and Great Britain were effected through the Commonwealth Bank, amounting to billions of dollars, and paid profits to the nation.—Australia had no private agent as we had Mr. Morgan, to exact heavy tolls for all buying.

There is no reason why this bank should not do the entire banking of Australia through branches and savings centers, in fact, the All-Australian Conference recently adopted Resolutions to do so. In the few years that it has been established it has accomplished much: rates of interest have been lowered; vast sums have not been paid to stockholders who have done nothing to earn them and who should use their money in developing other and strictly private ventures; the public debt is being rapidly reduced; speculation is not encouraged, especially with depositors' money; the fear of panic is replaced by confidence; Australian projcets and legitimate business are being financed at little more then cost; and the "invisible government", or "domination from above" has been gently reduced. Happy Australia!

We need not draw the unhappy parallel with our own system and situation. At last we see where we stand, and we see the goal that we shall have to reach. Shall we continue Hamilton's policy of building up a moneyed aristocracy, or shall we develop a Money System truly national, as did Solon? Can we find a leader as wise and as just as Solon was, to reform our Money System, including Credit, or Money of Account? When we have done the New Justice, we may hope to attain the New Freedom, and the reward of a New Golden Age, even more splendid than that which Solon gave to Athens. God speed us right.

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BULLETIN No. 18

MUNICIPAL RAILWAYS

IN THE UNITED STATES AND CANADA

BY

DELOS F. WILCOX, M. M. O'SHAUGHNESSY
S. J. GOODWIN, JAY. G. HAYDEN
LEO KENNETH MAYER, MRS.
HIRAM W. THOMAS AND
CARL D. THOMPSON

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CHICAGO, ILLINOIS
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UNITED STATES *and* CANADA

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MUNICIPAL RAILWAYS
in the
UNITED STATES *and* CANADA

INTRODUCTION

The Street Car Crisis and The Way Out

By DELOS F. WILCOX
Consulting Franchise and Public Utility Expert

The street car crisis is a challenge to the political and administrative capacity of American cities; and whatever challenges their capacity challenges the future of America.

Street Cars Still Chief Means of Transportation

The street car is the principal means of urban transportation. In spite of buses and rumors of busses, it still holds the center of the stage. More people ride in street cars than ever before. Vastly larger sums are being paid for street car transportation than ever before. American cities are still growing apace, and the bigger the city the oftener the people have to ride.

For example, the cities of Minneapolis and St. Paul twenty years ago had a combined population of 360,000. Today their population is 615,000, an increase of 68 per cent. But the Twin City Rapid Transit Company carried 323 per cent. more revenue passengers in 1920 than in 1900. This is typical of conditions throughout the country. In 1917 the electric railways carried more than ten times as many passengers as the steam roads.

Public Business for Private Profit Breaks Down.

The street car crisis is not a passing phase. It goes to the vitals of the municipal problem. It marks the failure of the characteristic American policy of trying to do public business through private agencies for private profit. The trouble with the street car business is that it has been exploited by private adventurers and neglected by public servants.

We talk of the extravagance of municipal government and of the immensity of municipal debts. But we do not more than half realize that the stocks and bonds of a public utility, once issued on the security of public franchises and the right to exploit public needs constitute a burden almost as inescapable as municipal bonds. Yet the stocks and bonds of the street railways alone—just one of the public utilities—amount to more than twice as much as the total indebtedness of all American cities for all public purposes.

Companies Desperately Seek

[illegible]

[illegible] Deregulation Corrupt and Corrupting

[illegible]

[illegible]

[illegible]

[illegible] Deregulation and Other Palliatives Fail

[illegible]

[illegible] Free and Only Remedy

[illegible]

I.

Extent and Success of Municipal Railways in America

By CARL D. THOMPSON

Municipal ownership of street car lines which has been quite general in all other countries for nearly a quarter of a century (1) has had but few examples in this country until recently. While there have been a few isolated cases of municipal railways that have been in operation for a considerable period they are, with the single exception of San Francisco, in smaller places.

Private Ownership Breaks Down

In the last ten years, however, several things have happened that have brought the subject of municipal ownership of street car lines to the front thruout the country.

Increased Fares Quite General

In the first place the increased cost of labor and materials due to war conditions made it difficult for the street car companies to make expenses and earn returns on their capital accounts on a five cent fare. As a result there began a widespread demand for increased fares which were quite generally granted. In 1917 nearly all (92 per cent, to be exact) of the cities of 25,000 population and over in the United States had a five cent fare. By 1920, however, nearly all of them had a higher fare. Only 34 cities, or less than 12 per cent. then had a 5 cent fare. Sixty-one cities had a 6 cent fare; 89 cities had a 10 cent fare; and 32 had other rates. (2) Leo Kenneth Mayer, director of the American City Government League, has more recently made a study of fares and finds that out of 98 cities investigated only 26 still had a five cent fare; 31 had a 6 cent fare; 16 had a 7 cent fare; 18 an 8 cent fare and 7 a 10 cent fare. In New York state alone Mr. Mayer found that out of 55 cities investigated only 13 had a 5 cent fare; 9 had a 6 cent fare; 18 had a 7 cent fare; and 15 had an 8 cent fare.

And yet, altho the demand on the part of the companies for increased fares was very generally being granted it soon was found that increased fares cut down the traffic and thus failed to produce the increased returns anticipated and still further increases were demanded untill the situation became quite acute.

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(1) For data on Municipal Street Car Lines in Europe see "The British City," and "European Cities at Work" by Frederick C. Howe, "The Collectivist State in the Making" by Emil Davies, etc.

(2) Aera magazine, Feb. 1921—"Higher Fare Trend Continues."

Labor Troubles

Meanwhile in many cases the demands of the working men for increased wages to meet the increasing costs of living were also cutting in on the profits quite acute.

of the companies and were frequently resisted. This led to numerous strikes which in many cases became serious and disasterous. The private lines in San Francisco, Buffalo, Chicago and other cities suffered such strikes in many cases tieing up the whole transportation system for days and even weeks at a time.

Success of Municipal Ownership

Meanwhile San Francisco had been making a splendid and almost surprising record with her municipally owned lines; had kept the five cent fare and had kept peace with its street car men, as reported in a later chapter. Several smaller cities such as Monroe and Alexandria in Louisiana had preceded San Francisco in the successful ownership and operation of their lines and others have followed. In 1918 Seattle took over the entire system and in 1922 Detroit did the same, Toronto took over her entire system in 1921.

The experience of San Francisco alone, of the larger cities, has been of sufficient length to afford any basis for judgment as to the ultimate success of municipal ownership in this field. In this case there is little room for question or doubt. The success of the enterprise in every respect and at every point is unquestionable and decisive. For proof we refer the reader to the two chapters that appear later on.

For the rest of the cities it may be said that for the most part they have kept the 5 cent fare where the private companies could not or would not, and have rendered service and met labor conditions that the companies could not, as is told in subsequent chapters.

On the next page we give a table from the United States Census which, while not at all up to date at least gives some details which are not available elsewhere.

II. DETROIT

Detroit's Municipal Railway

Address by J. S. Goodwin, Manager

At Conference of the Public Ownership League of America, at Congress Hotel, Chicago, November 19, 1921.

Mr. Chairman and Members of the Public Ownership League—

I am very glad indeed to be with you this afternoon. I consider it a privilege to be here. My only regret is that you could not have with you the man who is directly responsible for the success of the Municipal Railway of Detroit, the man who speaks with the courage of his convictions without fear or favor, the Honorable James Couzens.

A Thirty Year Struggle

The City of Detroit has had quite a struggle in bringing Municipal Ownership to its present state. I have only been in Detroit for the past fifteen months. The struggle dates back for 30 years. It is divided into what I see as three periods.

The first period was prior to 1894, during which time any one could get a franchise to operate a street railway in any manner that he saw fit. Commencing with 1894, the people became dissatisfied and looked forward to Municipal Ownership as a relief.

The second period was from 1894 to 1908. During this time Mayor Pingree attempted to engage in Municipal Ownership, but the Supreme Court held that the City of Detroit had not the power to engage in Municipal Ownership. This period ended granting of further franchises and the demand for Municipal Ownership increased.

The third period was from 1908 to 1919. In 1908 a new constitution was adopted curtailing the right of the City Council to grant a franchise without a three-fifths vote by the people. Municipal Ownership was granted by a vote of four to one. Two or three Municipal Ownership propositions were submitted to the people calling for the purchase of the private lines, but failed to receive a 60% vote from the people. In 1918 the City adopted a new charter and a Municipal Ownership chapter was included in this charter calling for the Municipal Ownership of the Street Railway Lines at the earliest possible date. This chapter was adopted by a vote of seven to one.

At the time the new charter was adopted, a new form of city government went into effect. Instead of the old regime of electing Councilmen by wards, (some 40 odd I understand), the charter called for a non-partisan form of Government electing a mayor and nine councilmen at large and that is the City Government which is operating in Detroit today. I want to take a moment to tell you briefly about that City Government, because I do not think there is another like it. These nine councilmen meet daily as a committee

some contracts had already been let and by the middle of September, we were organized with a full quota of men who knew how to organize and construct a street railway.

Eighteen Miles Built by Dec. 12, 1921

On the first of October, we started construction work on a large scale and by Dec. 12th we had laid 18 miles of paved track. We spent the balance of the winter preparing plans for the next season's construction. We had at this time, as mentioned, 18 miles of track built and the people were asking for service. Our municipal program was built on giving service to the people, so that on Feb. 1st we promised the people that they would have service on part of these lines. At that time we had no car barns, no cars, but by the first of February we had built a temporary carbarn and had received sufficient cars to put in operation some 13½ miles of track.

City Makes Record in Building Track

In March, 1921 we started on our summer campaign of track construction. We announced a program to build the balance of 100 miles of new track. We have built 42 miles this year making in all 60 miles of new track. We stopped construction work on the balance to determine whether or not the trackless trolley would serve in those fields. We built street railway track during this season at the rate of more than a mile of paved track a day, an achievement which was never known in the street railway industry before. We now have 42 miles of track in operation and are operating between 90 and 100 cars every day, this from our first installation of 22 cars on Feb. 1st, 1920. We are operating five different lines, a total of 42 miles, and are operating between nine and ten thousand miles per day, carrying passengers at the rate of 15 million a year.

Company Springs Another Franchise—Voted Down 2 to 1

In the April election this year (1921) the local company asked the people to vote on the Service-at-Cost franchise. We called it "Cost Plus". If there was ever anything written in any franchise in the United States, it was written into this franchise. If there was anything they could not do with that franchise, I do not know what it was. It meant that the City of Detroit would give the local company a franchise for 30 years, on which they could charge any rate of fare that they saw fit and which I am glad to say was voted down by the people on the ratio of two to one. At the same time, the City asked the people's approval of taking over some 29 miles of track built under Day-to-Day Agreement and by this same vote, nearly two to one, we were given the right to do it. The amount which the City was to pay for this was determined by arbitration. The Arbitration Board has reported and it now remains for the courts to decide who the City should pay the money to.

In addition to this, the Supreme Court has decided that the private company has no rights to two main lines of 21 miles. The Mayor, backed by the Council, ordered the company off the street. Before doing this, he offered the company what was determined as a fair price for the property, which they refused to except. The Mayor told them to move out and in spite of the ruling of the Supreme Court of the United States, order of the Mayor and City Council, they refused to go and initiated a petition which was voted on Nov. 8th, all of this despite the fact that their lease had expired and they had no right to the use of the streets.

On November 8th the people, backed up the Mayor and the council and ordered the private company to remove their tracks. At this same election

How City Got the Money

Q. I would like to ask you how you got the money to do the work. In Dayton, where I live, the difficulty exists in the limit of the amount of money the city can borrow and I wonder how badly that handicaped you people in Detroit?

A. Not at all. The City authorized a Fifteen Million Dollar Bond Issue for us to do our work and we have expended some Ten Millions at the present time and had no difficulty in selling the bonds.

Q. I would like to know if under the new charter there is any limitation as to the amount of money Detroit can borrow? Can you mortgage the property of the street railway itself?

A. I do not happen to know the limitation as to the amount of money Detroit can borrow. As to the Street Railway, any funds over and above those Fifteen Million Dollars will have to come from earnings or from a new bond issue.

Q. What rate of interest?

A. Various ratings. I cannot tell you off hand. This matter is handled by the City Controller and does not come under my jurisdiction.

Saved $25,000 a Mile by Direct Employment

Q. I would like to ask the speaker in constructing this road, purchasing material and labor, what he feels he has saved the people by doing it in that way?

A. Actual figures are not immediately available as to costs, but in general I want to say we feel that by doing the work ourselves, we have saved approximately Twenty Five Thousand dollars a mile.

Q. Relative to paving between the tracks, I understand that you have a Municipal Asphalt Plant and would like to know whether the cost of this pavement is included in the construction. To illustrate my point, I learned from the Commissioner of Public Works of the City of Buffalo, where they operate a municipal asphalt plant, that they have saved several hundred thousand dollars in contractor's profits. What I am trying to get at is whether the city is operating independently or whether the paving between the tracks and outside is charged to the Municipal Railway System.

A. I will say that we do not use any asphalt in connection with our track construction. The first eighteen miles, we built with a poured form of concrete. The standard construction which we used this season was a so-called compressed concrete, but to answer your question more fully, in Detroit the railway does not have to pay for any pavement except that between the rails; none on the outside. On account of our type of construction, we felt it desirable to extend this pavement for a short distance outside of the rail. We have paid for all pavement laid in our track construction.

City Favors Union Labor

Q. What is the labor policy on the Municipal Ownership Line?

A. The policy is this: all employees or car operators (we call them operators) are members of the Amalgamated Association. The policy of the Department of Street Railways is that we will meet with any one who represents any man or body of men representing our employees. We are paying the same wages that are paid by the local company and paid to union men and our men were organized without any objection on the part of the City Officials or the Management of the Department of Street Railways.

Detroit Takes Over Entire Street Car System

Largest Publicly Owned System in World
Final Chapter in 30 Year Struggle

By THE DETROIT NEWS

Detroit, April 18.—Detroit, fourth city in America, today takes its place as the first city in America in the solution of its traction problems.

Detroit voted Monday (April 17, 1922) to own and operate its own street railways. Mayor James Couzens' proposal to buy the Detroit United Railways' city system for $19,850,000 was carried, 55,669 to 12,243 receiving 81.9 per cent of the vote cast while it needed but 60 per cent.

The approval by the voters of the Mayor's purchase proposal means the end of the Detroit United Railways in Detroit and its replacement by a municipally owned system. It also means the end of 30 years of battling between the people and the privately owned street railway companies.

Largest Municipally Owned System in World

When these lines are taken over and combined with those already owned and operated by the city Detroit will have the largest municipally owned street railway system in the world. It will total 363 miles of track, with 1,457 cars, and all necessary equipment.

Actual transfer will be made on the payment by the City of $2,770,000, which is the down payment stipulation in the agreement. This down payment will be made out of the $4,000,000 authorized for the purpose in the vote Monday. The remainder will go to buy the supplies the D. U. R. has on hand, and to provide working capital.

The City will make other payments of $500,000 semi-annually until 1933, when the balance will be due. Interest at 6 per cent. will be paid on all deferred payments.

The money will not be paid directly to the D. U. R., but will be turned over to a trust company for the bond and mortgage holders of the company. The D. U. R. itself will never be able to touch any of the cash.

"The fight is over," Mayor Couzens said Monday night. "We will now start building. We are going to give Detroit best street railway system in the world."

State Constitution and City Charter Obstacles to M. O.

The low fare on the new lines was rightfully regarded as a popular victory. At that time actual ownership of car lines by the people was not possible. The state constitution had to be superseded by a new one, statues had to be fought through the Legislature, a new City Charter had to be adopted, and along with all this court decisions defining and confirming the people's rights to ownership and control of their streets had to be won.

Pingree's fight for 3 cent fares and better service won when the new lines began operation in 1895, and certainly a victory for the car riders, in spite of the fact that the 3-cent lines were fated to be absorbed by the older company in five years, implanted in the mind of Pingree and his followers the clear conviction that the only way to accomplish complete results was for the city to run the car lines as a city enterprise, just as, at this time, it had gone into the city lighting business.

Strike Increases Public Ownership Sentiment

The story of the creation of the "Pingree lines" is the first chapter in the history of Detroit's struggles for city ownership of the car lines. What opened the door to Pingree was a strike of the employes of the then City Railway Company—one of three companies operating in the streets and the principal one. The others operated on Grand River avenue and Fort street, with extensions. The strike was settled by arbitration, Pingree, then in the second year of his first term as Mayor, being the arbitrator. What gave Pingree his "hunch" to begin active war on the companies was the attitude of the public revealed by the strike.

The strike lasted only three days, ending April 21, 1891, but during that time the public walked with cheerful acquiescence, cheering the strikers and jeering the company as they trudged along. Their attitude was a plain protest against insufficient service, antiquated equipment by horse cars and a grasping financial policy. It will be perceived that the animosity for the public policy of the D. U. R. began before the D. U. R. came into being. The fact is that the "public-be-damned" policy of the street car companies and the fighting temper of the Detroit public have existed from the beginning of street railway history in this city, and it was inevitable that city ownership would ultimately come to be recognized as the only cure for it.

Fight in Council

After the strike a tussel began in the arena of the Council. The City and Grand River companies were joined by the Fort street line in a demand for franchise renewals. Demands by the antis, the future municipal ownership leaders in public life, were for a City share in the earnings and other concessions, but these demands were successfully fought off.

The franchise ordinance was passed, but Pingree vetoed it, and when citizens flocked to the subsequent Council meeting, all in anger and some with ropes for the ostensible purpose of hanging certain alderman, the veto was sustained. This was the last attempt of the street car companies to grab a franchise through the instrumentality of a complacent Council. Franchise proposals of later years have had to come before the voters, and they have put the Pingree veto on them without exception.

3-Cent Lines Start

The real answer of the public ownership advocates to the franchise grabbers was the creation of the low fare street railway system—the Pingree Three-Cent lines.

While the car companies were putting their grab through the Council Pingree was holding "open house" in the Mayor's office, and receiving much company. The day after the Council passed the grab, the Grand River com-

Opposition to municipal ownership had produced lawsuits that resulted in a Supreme court decision that the city had no power to own and operate street railways. The device of a holding company, to be composed of the unhorsed commissioners, was advanced, but the court decision killed the whole project. It never came to a vote.

What actually killed the Pingree purchase project was a franchise provision. There was to have been incorporated in the deal provision for a security franchise issued to the holding company. No "security franchise" proposal, in any form, has ever been able to struggle into being in Detroit from that day to this. Nothing better is needed to prove that municipal ownership had become a cardinal principle in the civic affairs of this city as early as 1899. The fact became more and more clear as the years went by.

Ten Years Struggle for Constitutional and Charter Revision

The 10 years that followed the balking of the Pingree purchase plan because of inability to carry it out on genuine municipal ownership lines was the era of lawsuits, agitation for constitutional revision and preparation for a new City Charter and new laws and ordinances that made municipal ownership of street railways a legally sound proposal.

An attempt in Mayor George P. Codd's time to lay street railway tracks as "city paving" brought a final decisive judgment from the Supreme Court that under the then existing state constitution the City had no right to buy, construct, own or operate a street railway.

When the constitutional convention met in the fall of 1907, the "home rule" demand, from M. O. advocates and from any other people not committed to M. O. as a general principle, was so pronounced that the outcome was clearly foreseen. Stepping ahead in the chronology of the subject, it will suffice to say that in the new constitution, as all know, cities were given the right, under legislative statutes to follow, to appoint commissions that should acquire, by purchase, condemnation, construction and otherwise, street railways and other public utilities and operate them for the public, benefit in point of service and monetary returns.

Attempts at "Settlement" Fail

Before the laws had been whipped into shape to this end, however, Mayor Codd made the first attempt of three mayors to settle the street car question on a franchise basis. Mayor Codd had been negotiating actively with D. U. R., and in September, 1906, brought forward the Codd-Hutchins franchise, providing for 6 tickets for 25 cents, to prevail even on the lines still bound by their three-cent fare franchise. But the Codd-Hutchins proposal included 10 tickets for 25 cents, good during the morning and evening rush hours. The Mayor appointed a committee of 100 prominent citizens to inquire into and advise upon the value of the franchise proposed to be handed to the D. U. R. There was a long, hard fight, for the friends of franchise gifts were much more numerous then than later.

The fact that important existing D. U. R. franchises had by this time expired and that legislation giving the people a right to express themselves on the franchise question had passed, helped to decide the fate of the Codd-Hutchins proposal. Mayor Codd came up for re-election in 1906, and with him his franchise ordinance, passed on to the people by the common council for popular vote.

Franchise Beaten

This was the first dircet vote of Detroit electors on the question of granting a franchise to the D. U. R. and this was the result:

For the franchise. 14,411.

Against the Franchise, 30,078

[illegible] was dedicated on [illegible] am B. Thompson summ
[illegible] Thompson made no move [illegible] street railway questi
[illegible] Thompson succeeded [illegible] mise to "settle" it.

[illegible] also appointed [illegible] to help the [illegible]
[illegible] and submit a [illegible]
proposal to the voters and [illegible] their experts [illegible]
was $31,241,721, whereupon [illegible] of $24,67[illegible]
process died, and Thompson [illegible] Mayor's office in [illegible]
Discerning people saw that [illegible] preponderance of [illegible]
opinion in Detroit was that [illegible] that would [illegible]
the D. U. R. and the [illegible] prompt to come [illegible]
chase terms with the company [illegible] of which, howe
Mayor Thompson proceeded [illegible] Hally franchise
1951. This was to provide [illegible] tickets for 25 [illegible]
a day hours, option [illegible] and extensions.
vote came at a special [illegible] is the result:

FOR THE FRANCHISE [illegible]
AGAINST THE FRANCHISE [illegible]

It was a very large [illegible] election, and it
mounted once more the [illegible] not to grant
chises.

More [illegible] Troubles

Neither of the above [illegible] ownership questio
will be noted. They were [illegible] vote on the M
question came March [illegible] state cons
from a Verdict of Conviction [illegible] municipal owner
legal and possible if not [illegible]

Detroit's third trial [illegible] vote on the d
[illegible] proposed am
[illegible] street railway com
[illegible] election was Ap
[illegible]

[illegible] permission to buy
[illegible] come d
[illegible] deadlock
[illegible] to leave dete
[illegible] be recalled.
[illegible] voted on No
[illegible]

The Mayor [illegible]

[illegible] rather a peri
[illegible] the voters a
[illegible] purchase p
was far in excess of what [illegible] companies were wi
commendat[illegible] get rid of its

esirable tenant. The voters refused to be held up and voted this proposition down. But 47 per cent of the votes favored it.

The next result of all these votes seemed to prove that while Detroit wanted municipal ownership it did not want to buy the D. U. R. at its own price to get a street railway system upon which to apply the public ownership principle. There appeared to be nothing left but to propose the plan of building a city system and taking over those lines subject to acquisition under the "day-to-day" agreement with the D. U. R.

This Mayor Couzens did, and on April 5, 1920, the people adopted the Mayor's M. O. plan, calling for construction of new lines. The vote for the plan was 88,556; against 50,409. Less than a year afterwards, on Feb. 1, 1921, the first car was operating. A dozen lawsuits begun by the company to defeat the plan not only were lost by it but strenghtened immeasureably the City's position.

Last fall the D. U. R. day-to-day agreement lines were purchased by a vote of the people, and Monday they wrote the end of the story when they voted to purchase the remainder of th D. U. R. city lines.

LATER DEVELOPMENTS

Up to the date of going to press with this bulletin—late in September, 1922—the Detroit Municipal Railways had been in full operation only about three months. During that time, however, many interesting developments have occoured of which brief mention may here be made.

Lines Make Big Profit

In the first place it is interesting to note that from the very first and with the fares kept at the old 5 cent rate and with the proposal of the private companies to reduce wages which had threatened to bring on a disasterous strike rescinded and the old wage level maintained the city made a splendid profit each month. After paying all operating expenses and in addition taxes, interest on the purchase price the net income for the last three months of operation was as follows:

June	$ 98,744.01
July	100,892.32
August	114,801.47

At this rate the city is making a profit that if kept up will amount to $1,250,000 a year.

Gets Rid of High Priced Officials

But there have been other interesting developments. For example almost immediately upon getting under way the municipally owned system applied the principle so generally followed under public ownership of getting rid of a lot of high priced and more or less unnecessary officials.

While keepeing practically all of the employees and keeping up the wages which the private company had announced it would reduce the city has dispensed with the $48,000 a year president, the $38,000 a year vice-president and their assistants who were paid from $35,000 a year down to $15,000. The city also discontinued the services of a $200,000 a year law firm.

Some Unique Advantages of Municipal Ownership

Some quite unusual plans are being worked out in connection with the

Municipa[illegible] ... [illegible] ... [illegible] ... [illegible] ...
cipal ow[illegible]

Mayo[illegible] ... [illegible] ... [illegible] ... [illegible] ...
distributa[illegible] ... [illegible] ... [illegible] ... [illegible] ...
used at [illegible] ... [illegible] ...

[illegible] ... [illegible] ... [illegible] ...

Mr. [illegible] ... [illegible] ... [illegible] ... [illegible] ...
this new [illegible] ...

The [illegible] ... [illegible] ... [illegible] ... [illegible] ...
dition to pr[illegible] ... [illegible] ... [illegible] ... [illegible] ...
of living [illegible] ... [illegible] ...

The scheme [illegible] ... [illegible] ... [illegible] ... [illegible] ...
[illegible] ... [illegible] ... [illegible] ... [illegible] ...
superintendents [illegible] ... [illegible] ... [illegible] ... [illegible] ...
[illegible] ... [illegible] ... [illegible] ... [illegible] ...
[illegible] ... [illegible] ... [illegible] ... [illegible] ...

[illegible] ... [illegible] ... [illegible] ...

The principal [illegible] ... [illegible] ... [illegible] ... [illegible] ... is transpo
and distribution. [illegible] ... [illegible] ... [illegible] ... [illegible] ... ded, as is Ch
by a rich farming and [illegible] ...

The mayor proposes [illegible] ... [illegible] ... [illegible] ... [illegible] ... the country,
the products and flow [illegible] ... [illegible] ... [illegible] ... [illegible] ... arious neighbor
[illegible] consumers w[illegible] ... [illegible] ... [illegible] ... [illegible] ... would pick up
[illegible] garments at a sa[illegible] ... [illegible] ... [illegible] ...

"The proposed plan [illegible] ... [illegible] ... General Manager Roos Sc
would permit a reduct[illegible] ... [illegible] ... [illegible] ... [illegible] ... cents in the retail cha
[illegible] cents a quart f[illegible] ... [illegible] ... [illegible] ... [illegible] ... reduction in cost of othe
[illegible]."

To Haul Garbage

Another feature of the plan pr[illegible] ... [illegible] ... hauling garbage and refu
[illegible] dumps at night. This would permit the collection trucks to make
[illegible] through the alleys.

[illegible] was estimated the saving would amount to $300,000 a year, or
[illegible] to the total annual interest payment to be made by the city on th
[illegible].

A Public Service Institution

[illegible] a few of the possibilities which municipal owne
[illegible] [illegible] Mr. Cleveland. "The lines have ceased to be a money ma
[illegible] The [illegible] have become a public service institution."

III. SAN FRANCISCO

How San Francisco Settled Its Street Car Problem

By JAY D. HAYDEN

Special Correspondent for the Detroit Daily News, who was sent to San Francisco to get the Facts and Prepare a Series of Articles from which the Following is Taken.

I. EARLY HISTORY—NINE YEARS' SUCCESS

San Francisco, March 17.—When the great earthquake, and fire came to San Francisco in 1906 the private corporations which, for 50 years or so, had made enormous profits in carrying the people at a straight 5-cent fare, saw the disaster as a Heaven-sent opportunity to "stick-up" the community.

The disaster did tax the city's treasury, public and private to the limit. With streets and sewers and public buildings—every variety of municipal property in fact—to replace, there was no desire of the voters to search for new ways of spending public money. Under the circumstances and in light of the fact that most of the existing franchises did not expire for 20 years or more they would probably have conceded much to the corporations in return for quick construction of needed extensions. But the corporations were too sure of themselves.

They talked of 50-year franchises as the only basis on which they would deal, and they withheld needed improvements with what appeared to be deliberation as a way of forcing the financially hard pressed citizenry to meet their demands.

Frisco Faced Many Obstacles.

There was no hope in Frisco of early acquisition of the complete railway system through expiration of existing franchises as in Detroit. The one hope was to beat the private company at the game of competition and this in spite of the fact that the main streets of the city, where the big traffic originated, were controlled by the corporations.

There is no wonder that the private corporations were supremely confident of their hold on the city's throat. The great wonder is that the community found in itself the will to undertake the battle, particularly as it could only move by a two-thirds vote of the electorate.

The first successful vote for municipal ownership of street railways was taken Dec. 30, 1909, when the people voted 31,151 to 11,704 in favor of a bond issue of $2,020,000 for construction of the Kearny street railway. Trackage

15.14 miles. [illegible] are sufficient to accom
132 cars were [illegible] and this equi
in 1913 made the [illegible] railway syst

Since [illegible] toward acquisitio
municipal [illegible] of cars in 63.12 miles of
It has [illegible] of the municipal s
now number [illegible]

[illegible] Is Indicated

Every [illegible] popular vote of the ta
ers and [illegible] which permi
ditional expenditure [illegible] people.

The [illegible] at a special ele
Aug. 26, 1913, [illegible] submitted to the people, t
vide for extension [illegible] was voted by the to
$1,152 to [illegible] of the municipal syst
almost four to one.

[illegible] Railways First

The City of San [illegible] tradition of succ
operation of [illegible] in their municipal
and electric lighting [illegible] the road to mun
operation of street [illegible]

The Detroit [illegible] many years ago that n
sent voter in the [illegible] A water supply an
tribution plant, [illegible] is one of the fixed assets
City of Detroit. [illegible] the Detroit citizenry wou
more think of selling its water system [illegible] a private corporation t
would think of selling its [illegible] department.

Exactly the same [illegible] Detroit public lighting plant. It
is a fixed institution [illegible] would even so much as
[illegible] away with

The difference in San Francisco is that this city had to start on the
[illegible] operation with its railways. There is far more controversy
in San Francisco today as to the advisability of owning and operatin
its water supply plant, than there is over the question of municipal o
railways. Municipal operation of lighting facilities is still not se
fixed in San Francisco.

[illegible] operation of railways, however, in San Francisco has
[illegible] operation of lighting and water facilities have been
[illegible] there is exactly as much chance that San Francisco
will [illegible] present railways or stop on the road to complete municip
[illegible] transportation equipment as there is that Detroit will vote t
[illegible] water and lighting plants to private corporations.

New Charter Opens Way

[illegible] Municipal Railway, the people's lines, really
[illegible] charter of the city and county of San Francisc
[illegible] and approved by the legislature a year later
[illegible] charter is as follows:

"It [illegible] to be the purpose and intention of the people of
[illegible] that its public utilities shall be gradually acquired and
[illegible] by the city and county."

At Last Ready to Carry

[illegible] the first budget [illegible] was v
[illegible] construction of the [illegible] line, but it was

lared invalid by the courts. A third bond election on a proposition authorizing $1,900,000 for construction of the line on June 24, 1909, failed of the needed two-thirds majority by only 203 votes. The advocates of municipal ownership were so much encouraged by this result, however, that a bond issue of $2,020,000 was submitted in December of the same year and it carried with votes to spare.

Construction of the line was begun in 1911 and the first section from Kearny street to Thirty-third avenue, was placed in operation December 28, 1912. On June 24, 1913, the entire line, approximately 10 miles in length, was in operation with 28 city-owned cars.

Extensions Rapidly Built

About the time the Geary street railway was placed in operation the problem of providing transportation to the Panama Pacific Exposition at Marina was presented. Again the United Railroads flatly refused to give any aid whatever without receiving a long extension of franchise.

Again it appears the company believed it had the city in a tight corner from which it could only escape by a franchise grant. In order to construct additional lines a new two-thirds authorization of the voters was required and the time for completion of the lines to the exposition grounds was exceedingly short.

M. M. O'Shaughnessy, the dynamic city engineer of San Francisco, who is entitled to the credit for the whole development of the municipal street railways, met the proposition with a pledge to complete all of the needed extensions within 20 months after the money was authorized. A second issue of $3,500,000 of bonds was submitted to the voters on August 26, 1913, and it carried 51,452 to 13,782.

And in spite of unexpected obstacles, O'Shaughnessy more than made good his promise of rapid construction by actually having the completed roads in operation the day before the opening of the Exposition.

Success Shown.

The construction under this 1913 bond issue added 33.68 miles to the municipal system and brought the total capital expenditure authorized to $5,520,000. The city has, however, since added more than 10 miles of trackage and other equipment, paid for from earnings, and it has reduced its total street railway debt to $4,586,200 on June 1921.

II. SAN FRANCISCO KEEPS THE FIVE-CENT FARE

San Francisco is one of the comparatively few cities in the United States that has been able to keep the five-cent street car fare.

Thanks to the Municipal Ownership of the street car lines the people of San Francisco have never had to pay more than 5 cents for street car fares either on their municipal or their privately owned lines. For the competition of the municipal lines has compelled the private companies to keep their fares down to 5 cents too.

This result of municipal ownership is all the more remarkable when we consider the fact that practically every other city in the country has had to meet the insistent demands of its private companies for increased fares.

Everywhere Else Fares Go Up

Mr. O'Shaughnessy publishes a table in his report on the Municipal Railway of San Francisco, taken from the "Aera" magazine of February 1921 which shows how street car fares have been going up in the 288 cities of 25,000 population and over in the United States since 1917. The table shows that in 1917 there were 264 of the 288 cities or 92 per cent of the mthat had a 5c

Total Profit $2,469,763.84

Besides the $894,800 of bond redemption that has been paid out of earnıgs there was on hand June 30, 1921, $100,200 reserve for further bond reмption. Also approximately 11 miles of railway extension have been built ›m current earnings, which with equipment so purchased amounts to ,434,969.17. There was also on hand "Charter reserves" of $18,033 and an perating surplus" of $21,761.67.

Thus the total surplus from income up to June 30, 1921, amounts to ,469,763.84.

Summing up the financial operations of the municipal railroad we may y:—It started late in 1912 with $121,000 the proceeds of the first bond sale; has never cost the taxpayers anything but a small contribution of $306,-2.47; has paid its way, paid the interest on the funds invested; is paying r itself as it goes, and on June 30, 1921, its comparative General Balance ıeet showed total assets of $9,262,968.89.

Here, then, is a municipal street car system which according to its official port to June 30, 1921, is operating 197 cars and 7 motor busses, on 63:12 iles of single track; carrying 66,169,246 passengers during the year, at a aximum fare of 5 cents (639,894 school children at 2½ cents.) The total st of the lines, according to this report, to June 30, 1921, is $6,999,555.26, proximately one third of which has been paid for from its own earnings.

IV. EFFICIENT MANAGEMENT—A BIG ENGINEERING STAFF OF TRAINED AND CAPABLE MEN

He who holds the theory that a city cannot secure efficiency in the build-g, management and operation of a great public utility will find his theory mpletely upset in the case of the San Francisco Municipal Railway. Not ly has the city sought out and drafted into service the best and most pable men for the work of planting, building and operating its project, the ndling of its engineering problems and the operation of its lines, regardless politics, but it has consistently kept them on the job.

O'Shaughnessy the Hero

There is one personality that looms up in connection with street railway nstruction and operation by the City of San Francisco and that is Michael orris O'Shaughnessy. He is the real executive head of not only the street ilway but of most of the other important municipal undertakings.

O'Shaughnessy, as a city official, is really a product of the great fire. the six years immediately following the disaster the city suffered seriously ›m lack of the technical skill and administrative energy necessary for the eat work of reconstruction. The people finally demanded the best possible ın for the job, regardless of politics, and in 1912 O'Shaughnessy was drafted to the post of city engineer.

Born in Limerick, Ireland, in 1864, O'Shaughnessy is a graduate of the ›yal University of Dublin. He came to San Francisco in 1885, at the age 21 years, and entered the employ of the Southern Pacific railroad as an as-ıtant engineer. He left this position to enter the private practice of engi-ering in 1887 and maintained an office in San Francisco until 1892. In that ar he obtained his first big job. . He was chief engineer of the California id-winter Exposition of 1894 and conducted the great work of moving many the buildings and exhibits from the Chicago Columbian Exposition to San rancisco.

Worked for Spreckles

He was chief engineer of the Mountain Copper Co. in 1895-96 and re-rned to the private practice of engineering in 1897-98. From 1899 to 1906 : was engaged as chief engineer in the construction and operation of a large

V. NO POLITICS—AND WHY

Mr. O'Shaughnessy says that the management of the Municipal Railway has been free from political manipulation except in one or two minor cases. He is right and the reason is not far to seek.

The management of the municipal street railway has been above the level of efficiency of other municipal enterprises, not only because of the personality of the men who have operated it so much as because of the character of the enterprise.

The municipal railway executives have known from the beginning that appeal to the taxpayers of San Francisco, already oppressed with the load of fire and eartquake reconstruction cost, was out of the question. An inherent feature of their enterprise, from the beginning has been that it must stand on its own bottom. The fares, they know must be kept at such a level as to pay not only operating expenses but ultimately the cost of construction.

The Street Railway Fare Payers Are the Voters

Mayor Rolfe knows and every one of his political henchmen knows that their political life depends on maintaining a reasonable fare and good service on the municipal railway lines.

The efficiency of other lines of municipal endeavor, the cost of which is hidden in the tax budget may be tampered with in the interest of easy jobs for willing political workers. But not so the street railway. It is altogether too much within the daily vision of the voters and too close to their pocketbooks.

People Are Inspectors

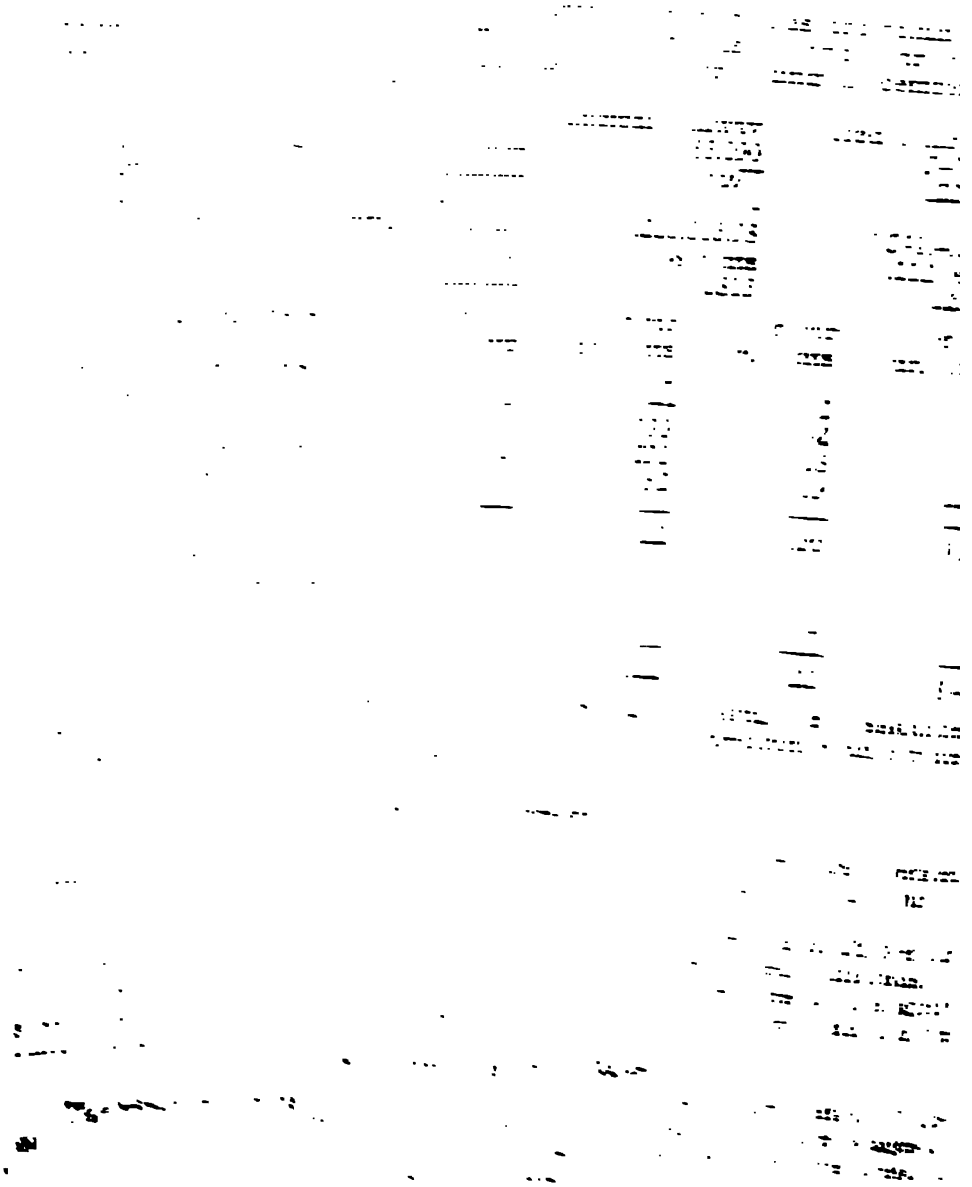
Some 90 per cent of the voting population of San Francisco actually inspect the work of their employes on the municipal railways every working day in the year. More than that they daily drop their nickels into the municipal railway coffers. They see and feel every minute infraction of good service and, regarding themselves one and all as stockholder of the lines, they do not fail to express themselves. Every motorman and conductor knows that he is working constantly under the eyes of his boss, so to speak, and he is on his toes accordingly.

Then, with respect to the San Francisco system there is the incentive of competition. The city cars are operated side by side with the cars of the private corporations. There is the opportunity for daily comparison of service. The private corporations now are frankly fighting for their very life, with the one aim of so favorably establishing themselves with the electors as to persuade them ultimately to vote to buy out the private railway property. Instead of spending its money in newspaper ads and propaganda against the municipal lines, the United Railroads is putting every possible cent into more seats for the car riders during the rush hours. And the municipal railways must of necessity set the pace or bring down upon its head the wrath of not only the aldermen but the whole voting public.

All minor street railway employes are under strict civil service. The motormen and conductors are selected by civil service examination and the same is true of the assistant engineers and office employes. There are exactly five men who hold free tickets on the lines, all of them directing superintendents, probably the shortest list of transportation gratuities maintained by any railway in the United States.

VI. BETTER SERVICE—THE TWO SYSTEMS COMPARED

In comparing the municipal lines with the private lines with reference to efficiency in operation and management as well as in financial matters we find that in many respects the municipal lines make a better showing than the private lines.



Higher wages, it is shown, cost the city lines 12.98 cents per car of operation, as compared with 10.38 cents for the privately owned lines.

Saving Made Elsewhere

But the city made up this higher wage cost by saving on other items. In every other division of expense the city shows a saving over the private company.

And the saving is vastly greater in items not included under operating expense. From the gross profit of 13.93 cents per car hour, shown on its year's business, the municipal line has only to pay the interest on a bonded debt of about $5,000,000 and set aside the necessary depreciation reserves.

From its gross profit of 9.788 cents per hour the United Railroads is required to pay taxes, interest on a funded and floating debt of $40,661,570 and a capital stock issue of $42,000,000.

Actually, of course, the company was unable to pay any interest whatever on its capital stock in 1918. It failed to pay the interest on its entire bond issue also. According to the report to the railroad commission, bond interest totaling $1,645,220 fell due during the year and the company paid only $656,735.25 of it, the remainder being left to add to the $2,378,350 of interest, accrued in previous years and unpaid.

City Makes Better Financial Showing

And against this record of bankruptcy of the private company, the municipal company, in this same year of 1918, retired $101,00 of its outstanding bonds; paid $248,214 bond interest; set aside a reserve of $213,919, representing city taxes which the charter requires be deducted from earnings, but kept in the railway treasury; set aside depreciation and accident reserves totaling $425,271.92. And the municipal lines had a net profit of $107,586.75 besides.

And this is the municipal street railway line which the spokesmen for the special interests would have the voters believe is a financial failure.

Let it be repeated again, the municipal street railway of San Francisco has never cost the taxpayers one cent, although it has added some $3,000,000 in net value to the city's assets. It has paid the highest wages of any street railway in the United States and, in spite of this fact, has been able at a straight 5-cent rate of fare to make operating ends meet and set aside very large reserves.

Municipal Upkeep Is Better

The city system is in all respects much better kept than the company's equipment.

For example, the windows of municipal railway cars are washed every day. The cars are completely cleaned, outside and in, at least once a week. They are freshly painted on the average of once a year.

The municipal railway cars, excepting a few of the first cars purchased, are of solid steel construction. They have solid steel wheels such as are placed on railroad passenger cars, a kind which practically had been unused heretofore for street cars. The steel wheeled cars are much safer, they do not go flat and they have reduced derailing accident to the minimum. The lamps in the municipal cars are all covered with attractive white shades, giving a much better light than the ordinary street car affords.

The two car barns so far constructed for the city are of white concrete and they are kept clean inside and out.

More important, the city's trolley poles are of white concrete and of ornate design, combining the function of trolley poles and street lamp posts in many instances.

The city's large cable lines, which carry electricity for the railway, are underground, thus removing much of the network of wires which usually clog a street occupied by street railway tracks.

The purpose of this article is not to describe the tunnel enterprise, although it is well worth a story in itself. The point of the matter is that the tunnel opened the way for the municipal railway cars into the heretofore undeveloped residence district on the other side of the Twin Peaks. And therethis district has been turned in two short years into one of the most beautiful residence districts in the world.

Paid for by Special Assessments

The Twin Peaks tunnel cost $4,000,000, and the property owners beyond the Peaks have paid the whole cost gladly in the form of special assessments which represent only a small part of the increased value of their holdings as the result of moving them some 30 minutes nearer the business district of the city.

The property owners paid $4,000,000 for the tunnel, but they have not paid one cent for the railroad construction in the tunnel and beyond, which is quite as essential a part of their improvement as is the tunnel itself.

Whereas the United Railway cars touch the edge of the valuable residence district beyond the Peaks, after a 50-minute run from downton, the Twin Peaks municipal line, running under the mountains, makes the trip from the ferry in 20 minutes. It takes six minutes for the city cars to traverse the tunnel, including the time taken in stops at two subway stations from which the car riders are lifted by elevator to the hills above.

Distance in a great city is measured not by miles but by minutes. By the fact that they have been moved 30 minutes nearer the down-town district the miles of building lots, which have replaced the cabbage fields, have doubled, trebled and quadrupled in value. And on these lots are being built splendid houses, all of which are finding a place on the city tax roll.

City to Profit

Under the old system of doing things in San Francisco a private company might have bought the land on the other side of the hills and secured a concession from the city to dig the tunnel. Such a company could have made millions from the land development and sold the right of operation of street railway cars through the tunnel to the private companies at a large additional profit. As it is the tunnel is built by the city and paid for by the prospective home owners. The city stands to reap the profit from operation of the car line, which is growing daily in patronage, and the taxpayers of the whole city have profited from the railway extension through the fact that it has brought vast new property values on the city tax roll.

City Uses Motor Busses

A feature of municipal railway operation is the constant demand from outlaying communities for street railway extensions, very often from territory which would not immediately support a railway line. The city has met this sotuation in some degree by the operation of motor busses. These busses have not paid their own expense of operation entirely, but their cost is a very small item in the total of street railway expense and they are serving to avert a much greater loss by developing patronage ahead of the street railway extensions. There are five of these busses now in operation.

VIII. BETTER TREATMENT OF LABOR

The San Francisco Municipal Railway has perhaps done more than any other one thing to improve the condition of street railway workers everywhere.

a strike in its effort to eliminate the union which then operated the lines. It was successful in breaking the union. In 1917 an effort was made to re-establish unionism and a three month's strike resulted. The United Railroads has not yet recovered from the direful effects of this strike and it stands as one of the main causes which has recently forced a reorganization of the company and the elimination of nearly $40,000,000 of its stock and bonds. Municipal officials estimate that this strike on the United Railroads alone has cost that company more than the excess wages paid by the City to its railway employees.

Men Have Club Room

On most railways the men are compelled to wait in a cold car barn or in a small smoky and generally comfortless waiting room between their working shifts. The municipal railway has made very different provision. In the new Geary street car barn there is a club room with pool and billiard tables and card tables, where the men while away their time comfortably during the service waits. There is also a reading room with plenty of magazines and easy chairs, where the more quietly inclined can wait. There is a large assembly hall where the men hold their meetings, and which is used for dances by the employes and their families on other nights of the week.

This whole convenience for the men is free to them, and it has cost the railway practically nothing except the building space employed and the few hundred dollars for original equipment.

Employees Satisfied

"I don't believe" said Mr. Fred B. Boeken, superintendent of the municipal lines, "that you can find a better satisfied lot of workmen anywhere than the employes of our municipal railway. We have never had a strike or even so much as the threat of a strike in the past seven years, and I think this of itself is a record almost unique in recent street railway annals in the United States. Because jobs on the city railways are desirable we get good men and because it is worth while to hang onto these jobs we are able to require efficient and courteous service."

Consider, then, the contrast:—

The Contrast

Municipal Railway	Private Railway
8 hour day in 11	No limit
Six day week	Seven day week
62½c per hour	46c to 52c per hr.
Favors union labor	Fights union labor
Never had a strike	Two disastrous strikes

The increase in population in San Francisco has been very considerable and from necessity a very large portion of the growth to accomodate this increase has been on the outskirts of the section first settled. The use of the automobile has not only taken passengers from the street railways but further has hampered railway operation by congesting the streets and in addition has put upon the railways a very considerable burden in the way of improving the pavement within the railway right of way.

With the decreasing purchasing power of the nickel, the increasing demand for service, the shortening of the franchise life, the demand for capital to make extensions, the railway situation in our cities has become very acute.

The outcome is being watched with more then ordinary interest. In many places the answer is being sought by increasing the fare. In other cities the railways have asked to be relieved from operating the lines which are not paying and have sought regulation of automobile traffic and the relief from all obligations to pave their rights of way. In other places the municipalities are plannig on owning and operating their own street railway lines. Other cities are making agreements with the railways under which the corporation and the municipality become partners in the transportation business. This plan has been in operation in a number of cities for some time. The indication in a number of instances is that this method of solution is not entirely satisfactory. New York has undertaken to construct subways which belong to the municipality but are operated by private enterprise. All of these different plants contain some desirable features.

Municipal Ownership the Solution

Urban transportation can best be supplied by a unified ownership granting uniform service to all sections of a City, providing universal transfers and with sufficient stability to plan and construct railway extensions in advance of their actual necessity thereby developing the growth of the City in well ordered and predetermined directions. Municipal ownership and operation of street railways can most nearly fulfill all of these requirements. A municipality can finance more readily than a private corporation, and with reasonable efficiency in public office, can construct and operate as efficiently as a private corporation. The primary object of a private enterprise entering the transportation field is to make monetary gains. The primary object of a municipality is to give service. It is, therefore, not very difficult to realize why the municipally owned railway may more nearly meet the requirements of the people.

In view of the fact that in addition to the municipally owned lines there are now two privately owned street railway systems in San Francisco, all of the above is pertinent to the situation in San Francisco.

I. THE MUNICIPAL RAILWAY SYSTEM

Street railway transportation in San Francisco is handled by three separate systems, each under separate management and control, viz. (1) The California Street Cable Railroad system (privately owned) operating 10.56 miles of single track line; (2) the United Railways system (privately owned) operating 256.9 miles of lines; and (3) the municipal Railway operating 63 miles of single track.

The history of the Municipal Railway System really dates from the adoption of the Charter of the City and County of San Francisco which was ratified by a vote of the people in 1898, approved by the Legislature January

Success at Last

These Geary Street and lower Market Street bonds bear 4½% interest; they mature serially between 1915 and 1934 at the rate of $101,000 per year, and are a direct lien against the City. In July, 1910, the first lot of $121,000 bonds were sold and preparations were made for the reconstruction of the old Geary Road, which ceased operation on May 5, 1912, when the last cable car was run over the road. Construction of the road was started by day labor under the direction of the Board of Public Works in 1911. This did not prove satisfactory and the road was completed by contract. The first section of the line was put into operation December 28, 1912, from Kearny Street to 33d Avenue.

II. EXTENSION OF THE SYSTEM

About the time the Geary Street line was placed in operation, the problem of providing street railway transportation to the Panama Pacific Exposition at the Marina was presented to the Municipal authrities, the United Railroads having taken a positive stand that they would not construct another foot of track in San Francisco under the franchise restriction of the existing Charter. Confronted with these conditions, upon the request of the directors of the Exposition, the Board of Supervisors requested the City Engineer and the Board of Public Works to submit plans and estimates of cost of street railways designed to furnish the Exposition with adequate service, and at the same time form a nucleus for a Municipal Railway System.

Transformation for the Exposition

In response to this request the City Engineer on April 5, 1913, submitted to the Board of Public Works for transmittal to the Board of Supervisors a "Report on Extension of Municipal Railways to Provide Transportation for the Panama-Pacific Exposition." On the basis of this report there was submitted to the people at a special election on August 26, 1913, a proposition to provide $3,500,000 by a bond issue to construct and equip some 12½ miles of double track road and to purchase the Presidio and Ferries system with its 3.9 miles of double track.

This bond issue was overwhelmingly carried by a vote of 51,452 for and 13,782 against. These bonds bear 5% interest, and are redeemable serially at the rate of $100,000.00 per year commencing December 1, 1917.

Difficulties To Be Overcome

The opening of the Exposition was set for February 20, 1915, leaving only 18 months from the date of the Bond Election for the completion of the roads.

The opponents of the bond issue had insisted that it would be impossible for the City to construct and equip the contemplated mileage in time to serve the Exposition. But by introducing a system of carefully worked out bonus and penalty clauses and by dilligent pressing of the work the entire mileage except the Church Street line was built, equipped and put into operation before the exposition opened.

The construction of the Church Street line was very seriously delayed by the Supervisors not acting on the advice of this office as to the portion of the line which should be built first. The construction of the line on Market Street involved certain legal questions covering the right of the City to construct tracks paralleling the tracks of the United Railroads, and it was known that any action taken would be contested by that company.

The right of the City to construct its tracks on Market Street was established by a sweeping decision of Judge Wm. H. Hunt of the U. S.

This arrangement throws the City Engineer and Superintendent of the railway into very close contact. So far there have been but two men in the position of Superintendent. Mr. Thomas A. Cashin held the position from the time the Geary Street line was placed in service till his death in December 1917. H was succeeded by Mr. Frederick Boeken, then Assistant Superintendent. Both of these men secured their knowledge of railway work by actual experience and have therefore been eminently fitted to fill the place. The success of the railway is in no small way due to their efforts and those of Mr. Wm. Bendel who has been Master Mechanic since the line has been in operation.

The handling of the railway has so far been free from political manipulation in its construction and operation except for the short period in 1912 when unsuccessful attempts were made to construct the Geary Street line by day labor. So far only two conditions have been noted which differ in any way from those which might obtain on a privately owned road. These are: first, a tendency for employees to bring political pressure to seek wage adjustments. The period of increased living costs and general high wages which has prevailed most of the time the system has been in operation may have had great influence. Second, there is a marked tendency to encourage the building of unprofitable extensions and the giving of unwarranted service by means of automobile busses. There is no doubt but that a considerable amount of this propaganda is not sincere, in that those most prone to having bodies of citizens appear with long lists of signatures requesting unreasonable extensions, know full well that there is no possible hope of the extension being made unless the people vote bonds to pay for the work.

IV. FINANCIAL RESULTS

The results of the nine years of municipal ownership and operation of the San Francisco street car lines as shown by the "Financial Report of the Municipal Railway of San Francisco for the fiscal year ended June 30, 1921," may be summaried as follows:—

FIRST—The municipal lines have never had more than a 5-cent fare and carries school children for 2½ cents.

SECOND—That the total revenues of the municipal lines since their beginnings in 1912 have been $16,601,077.14.

THIRD—That the total operating expenses during that time were $10,724,718.18, leaving an excess of $5,876,358.96 over operating expenses.

FOURTH—That this excess of earnings over cost of operation has enabled the city to pay the interest on the funded debt which amounted to $1,757,927.54 and still leave a balance of $4,118,431.42.

FIFTH—That out of these excess earning besides paying the interest on the funded debt as indicated above the municipal lines have paid off $995,000 of the bonds, put $1,303,845.44 into extensions and betterments, advanced $67,004.20 for tunnel work, holds $39,794.67 as charter reserve and operating surplus, and still has a net surplus of $1,648,667.58.

SIXTH—The earnings of the lines are providing for a depreciation reserve of 14% of the gross earnings and 4% for insurance—so those items are amply provided for.

SEVENTH—While the municipal lines do not have to pay any taxes, and save legal and clerical expenses by using city officials already employed by the city the charter requires that the accounting of the municipal lines shall contain charges for these services in order that the cost of municipal operation may be compared item for item with that of private lines. Pur-

Transfers from Depreciation Fund to cover Wage Increase, etc.	449,701.40
Less Interest on Securities owned, credited to Income although cash was deposited in Depreciation Fund	150,695.74
Less Amount transferred direct from Operating to Bond Redemption Fund	101,000.00
Transfers from Compensation Insurance Fund to cover wage increases, etc.	90,000.00
Balance of Surplus Account as per balance sheet	$ 21,761.67
Total surplus from income	Cr. $2,469,763.84

The total surplus derived from the operation of the road, all of which has been referred to in detail above, amounts to $2,469,763.84, as follows:

Bonds Retired Through Income	$ 894,800.00
Reserve for Bond Redemptions	100,200.00
Advanced General Fund Account Twin Peaks Tunnel	82,152.53
Advanced General Fund Account Stockton Street Tunnel	48,971.20
Charter Reserve	18,033.00
Additions and Betterments from Income	1,303,845.44
Operating Surplus	21,761.67
Total	$2,469,763.84

General Balance Sheet, June 30, 1921

The General Balance Sheet as of June 30, 1921, shows total assets of $9,262,968,89 as follows:

Assets

Total Capital Asests	$7,016,983.67
Current Assets	2,197,014.02
Accounts receivable	48,971.20
Total Assets	$9,262,968.89

Liabilities

Funded debt	$4,586,200.00
Current liabilities	294,257.94
Reserves	1,580,194.26
Contributed from taxes and premiums on Funded debts	332,552.85
Total liabilities	$6,793,205.05
Total Surplus from Income	$2,469,763.84
	$9,262,968.89

V. NEXT AND FINAL STEP—CITY SOON TO TAKE OVER ALL REMAINING PRIVATELY OWNED LINES

San Francisco is now proceeding to acquire the existing Market St. Railway properties 301 miles in length.

The City Engineer has made a valuation of $40,000,000. The private Company has not yet accepted this price, and negotiations to arrange a price are still pending.

IV. TORONTO

The Toronto Municipal Railway

CITY TAKES OVER LINES SEPT. 1, 1921—SECOND LARGEST MUNICIPALLY OWNED SYSTEM IN THE WORLD

By CARL D. THOMPSON

The second largest municipally owned street car system on the American continent is that of Toronto, Canada, which was taken over by the city on Sept. 1, 1921. It comes to Detroit in mileage of lines, number of cars and equipment, and has nearly as many miles of track and considerably more cars than the famous municipally owned tramways of Glasgow.

The Toronto municipal system now comprises approximately 179 miles of single tracks exclusive of yards, about 990 cars, 11 gasoline motor busses, 4 trackless trolleys, 8 car houses, one shop and about 10 substations.

The main part of the system in Toronto was owned and operated by a private company known as the Toronto Railway. This was taken over by the city on September 1st, 1921, under the terms of the company's franchise to which we will refer later. Meanwhile the city had built, owned and operated about 22 miles of lines and equipment known as the Toronto Civic Railways. These, together with the lines of the private company taken over September 1, 1921 and a small section of an interurban system lying within the city and the additions and extensions made by the city since the lines were taken over constitute the present municipally owned street car lines of Toronto.

How the Lines Were Acquired

The city of Toronto acquired its street car lines under the provisions of a very liberal franchise granted to the Toronto Railways company in 1891. This franchise provided for a 5 cent fare, for keeping the properties in good repair, for keeping the tracks free from ice and snow in winter, for not to exceed a 10 hour day, a sixty hours week and one day's rest in seven for labor and that the company should pay the city $800 per year per mile of single track and in addition a graduated per cent. of its gross receipts ranging from 8 per cent. on returns up to $1,000,000 up to 20 per cent. on all gross receipts over $3,000,000. And, finally, the franchise provided that upon the expiration of the grant the city could take over the lines upon giving six months notice, and paying a price to be determined by a board of arbitration which was to consider only "the actual value of the actual and tangible property connected with and necessary to the operation of the railways" etc.

Private Ownership Breaks Down

At first and until the beginning of war the private company was prosperous and did well. But the great increase in the cost of labor

materials due to the war conditions made great inroads on the company's earnings. Moreover taxes and assessments against the lines had been increased. At the beginning of the franchise period the company paid only school and ral estate taxes aside from its percentages of receiptts paid to the city. Later, however, the city taxed the company's rails, poles and wires. Also the assessments were at first about $1,000 per mile of track but were increased by 1902 to $6,300 per mile. By 1920 the company was paying 60 cents per hour maximum to its motormen and conductors, and while the gross earnings had increased to $7,909,891 the net balance from operation was only $1,282,383 and the payment to the city amounted to $1,559,868 or 121 per cent. of the net balance. (1)

Another thing that made the continuance of private operation impractical was the increasing demand for better service which the company could not meet. The Toronto Railway company was handling about 550,000 passengers per day previous to Sept. 1, 1921, while the other lines in the city were handling about 125,000 per day. Of these latter probably over 100,000 were passengers on the Toronto Railways and were thus compelled to pay two pares. "It was this condition," writes Mr. H. H. Couzens, General Manager of the municipal lines, "together with the lack of sufficient lines and service in many sections of the city which led to the decision of the people to take over and operate the privately owned systems."

City Makes Thorough Study

In 1915 the city appointed a strong commission authorized to make an extended inquiry into the transportation situation in and around Toronto. And this commission after a thorough investigation recommended that the city acquire the Toronto Railways at the expiration of the franchise in 1921, and that the city should undertake a comprehensive program of street transportation development under city ownership.

Pursuant to the provisions of this franchise the city gave notice in August, 1920 that it would take over the property at the expiration of the franchise on Sept. 1, 1921.

Municipal Operation Began Sept. 1, 1921

Upon deciding to take over the lines a commission was appointed to negotiate the purchase of the lines and the city began operating the lines September 1, 1921, the question of the amount to be paid for the lines being left for later determination according to the terms of the franchise.

City Raises Fares

One provision of the act under which the lines were taken over is that the property should pay the whole cost of the service. And as the lines were not paying at the rates of fares charged by the private company the city raised the fares. The company had charged 5 cents for single fares, with six tickets for 25 cents and 25 for a dollar, school tickets 10 for 25 cent. The city has raised these fares to 7 cents for single fares, 4 tickets for 25 cents, 16 tickets for $1.00, 50 tickets for $3.00; childrens fare 4 cents, with 7 tickets for 25 cents. There are also special night fares.

Good Labor Conditions

The city pays 55 cents per hour for the first three months, 57½ cents for the next nine months, and 60 cents per hour thereafter. Time and a half is allowed for all time over 8½ hours and time and a quarter for Sun-

(1) "Toronto Takes Over Its Street Railways"—Electric Railway Journal of March 25, 1922, pp. 505 ff.

V. SEATTLE

Seattle Municipal Street Railway

CITY VICTIM OF HUGE SWINDLE—MAY YET MAKE SUCCESS OF MUNICIPAL LINES

By CARL D. THOMPSON

The experience of Seattle in taking over its street car lines is a striking example of one of the most serious dangers to be guarded against by any city in municipalizing its street railways, or, for that matter, any of its public utilities. And that is **the danger of the private companies unloading upon the city a broken down and depreciated property at two or three times what it is worth.**

The utility companies, when they begin to realize that everything else has failed and that municipal ownership is sure to come, are quite likely to shift suddenly into favoring the city purchase of their properties and then begin a clever and crafty propaganda in behalf of a greatly inflated purchase price.

There can generally be found somewhere in official or public position men who are either ignorant of corporation wiles or without social or civic conscience who are willing to help the companies play this game. And Seattle had one Ole Hanson as mayor at the time the street car crisis came on. He has since been heralded widely thruout the land by the defenders of corporate interest as the great prophet of private ownership "exponent of Americanism," and defender of the faith against the perils of public ownership. "He knows about municipal wnership," their pamphlets say; "he was the mayor who bought Seattle's car lines; he bossed their operation"; he tells about it "in single-syllable, two fisted English"—whatever that is.

Alack! and alas—'tis true. Ole Hanson was the mayor who bought Seattle's car lines. Let every other city beware of that kind of a mayor and that kind of a purchase.

The Failure of the Private Lines

Like every other city, Seattle had its troubles with its private street car company, especially during the years 1915 to 1918. The city wanted better service; the company wanted higher fares; and the street car men wanted better wages. The property was badly depreciated and, during this particular period was earning less than 1 per cent. on its capital account. (1)

(1) Messrs. Pratt and Leonard, the local managers, sent a telegram to the home office of Stone and Webster in September, 1918, in which they recommended the sale of the lines. They declared that "if trade finally consummated, we will be receiving 5 per cent. on full value property which for the last seven years has earned, after proper allowance for power and depreciation 1.35 per cent. on this value and for the last five years eight tenths of 1 per cent." The "full value" referred to was plainly intended as $15,000,000, and it is safe to conclude, therefore, that the real net earnings of the company for the preceding five years had not exceeded $120,000 annually and may have been much below this figure.—Professor Paul Douglas in article on "The Seattle Municipal Street Railway System", Journal of Political Economy, June 1921, pp. 455 to 477.

That this estimate of Mr. Catterill was about correct was subsequently proven by the Grand Jury's investigations in 1920. Mr. Cyrus A. Whipple was engaged by the jury to make a physical valuation of the properties which he did basing his work upon a prior valuation made by the State Public Service Commission. Mr. Whipple placed the value of the street car properties at $7,834,000.

City Paid $15,000,000 for Lines Worth $8,000,000

So, then, whether we take the estimate of Mr. Cotterill based upon the findings of the Tax Commission and the State Board of Equalization, or of Mr. Whipple based upon the findings of the Public Service Commission, or finally, if we take the evidence of the local officials of the Company themselves as revealed by the telegram they sent to the Stone and Webster, officials in the east we arrive at the same conclusion viz.: **the purchase price put thru by Ole Hanson was from seven to eight millions more than, or nearly twice as much as the lines were worth.**

And it was this over-valuation, this execessive, extortionate purchase price the city was betrayed into paying that was the cause of all the subsequent trouble. As Professor Douglas points out (1) had a reasonable price been paid for the lines—even $10,000,000—instead of the $15,000,000 it would have lessened the deficit of the first 21 months by $829,000 and the lines would have yielded a surplus of $500,000 a year.

This then is what this far-famed Ole Hanson, darling of the corporations, and his supporters put over on the people of the city of Seattle with the help of the newspapers, the absorption of the minds of the people in the war, and an epidemic of influenza that made it almost impossible to have any public discussion of the matter. The purchase of the lines for the $15,000,000 was approved by a vote of 13,000 to 4,000 on November 5, a week before the armistice was signed and the Mayor and majority of the council proceeded to consummate the deal. The final ordinance by which the lines were purchased was passed in December, Councilmen Erickson and Lane, both strong municipal ownership men, voting "no."

Company Got Still Other Concessions

And this extortionate and impossible price of $15,000,000 was not the only thing Ole Hanson and his supporters put over on the city at that time. He rendered other services to the corporations for which they have reason to be grateful. The ordinance which provided for the purchase of the lines at $15,000,000 also provided: (1) The company was to be paid in twenty-year serial bonds drawing 5 per cent., the first installment to fall due in 1922 and be paid at the rate of $833,000 per year for eighteen years. (2) These obligations were to constitute a first lien upon the gross earnings of the lines. (3) The city bound itself to buy current from the company for the operation of the lines at 1 cent a kilowatt hour—which, by the way, was ten times what the Puget Sound Traction Light and Power Company charged the lines. Moreover the company was to be protected in this matter of supplying current to the street car lines by agreeing that as the city owned light and power plant developed the city would not cut off more than 5,000 kilowatts per year of the company's power; and, besides, for every 5,000 kilowatts cut off the city bound itself to buy one of the company's substations. (4) And, finally, the city also cancelled certain overdue obligations of the company for paving and bridge rentals amounting to several hundred thousand dollars.

Ole Hanson and his supporters certainly did a good job for the Stone and Webster corporations. They could well afford to send him out over the country lecturing against municipal ownership.

Making the Best of a Bad Bargain

Having unloaded a dilapidated and greatly depreciated property upon the city at twice what it was worth and upon terms almost impossible to meet the opponents of public ownership could very safely predict that the city would have trouble. By January 1920 it developed that, allowing for depreciation, the lines had lost $517,000 in nine months and the people began to realize what kind of a bargain had been saddled onto the city. Hugh H. Caldwell, a former corporation counsel, was elected mayor in 1920, pledged to a thorough investigation of the traction deal and, if fraud were shown, to an attempt to free the city from the contract. The investigation was made and many of the points mentioned above were brought out. But the council did not support the mayor in his effort "to secure equitable relief from the contract."

Meanwhile the fares were raised in July 1920 to six and a quarter cents four tokens for twenty five cents) and a 10 cent single cash fare. In January 1921 the fares were again raised to 8 1-3 cents, (three tokens for twenty five cents). And yet by the end of 1920 a deficit of $1,814,163.34 had accumulated and no provision had been made to meet the first payment of $833,000 on the principal. The increased fare of 8 1-3 cents helped matters in 1921 so that by the close of that year the system had made expenses and a net gain of $226,588, but had not been able to earn enough to provide for the payment on the principal.

City Will Yet Make Success of Its Municipal Railways

During the first seven months 1922 (to July 31) the financial results still further improved. The official report for July and covering the first seven months of the year showed a net operating income of $301,885.92. This is over twice as much as the net gain of the preceding year and shows a steady improvement. At that rate the net income will amount to over $517,000 for the year.

However, this is still considerably short of meeting the annual installments as required by the contract. These installments call for $833,000 a year which must be raised over and above all operating expenses. It will be seen, therefore, that even with the good showing made thus for this year the lines will still be some $300,000 short of making all expenses and providing for the installment. The city treasurer estimates that the shortage will be $351,510.82 by March 1, 1923. (3) And retiring mayor Hugh M. Caldwell in his Second Annual Message, June 5, 1922, still insists that the contract is impossible of fulfillment. He points out that under its terms the city is trying to do the following things during the next 18 years: (1) Pay the principal and interest on $17,215,000 bonds; (2) pay maintenance which at present rates will amount to more than $18,000,000 for the eighteen years; (3) pay a power bill that will amount to $11,873,446 for the period; (4) wages that will amount to $43,846,000; and (5) depreciation that will amount to $12,251,522 for the period.

"In other words," says Mayor Caldwell, "under the contract of purchase the city has set about to get more than $103,000,000 out of the street car receipts during the eighteen years—the life of the contract. It agreed to charge a sufficient rate of fare to do something that no private utility would be permitted to do—retire its entire capital investment in eighteen years besides all operating and maintenance expenses."

(1) "The Seattle Municipal Street Railway System", Journal of Pol. Econ. June 1921, p. 476.

(2) Statement by Hugh M. Caldwell in his second annual message, June 5, 1922, p. 19.

(3) Second Annual Report, Mayor Hugh M. Caldwell, June 5, 1922, p. 20.

Nevertheless, in spite of all these impossible conditions that have been loaded onto the city—conditions which no other city anywhere on earth so far as we know, and in no other case has ever had foisted onto it—the city lines are slowing working their way out as we have shown above, and may yet pay its way out and in the end have a successful municipal railway. And extortionate and outrageous as the price has been it may be worth it all to the people of the city to be rid of a private corporation capable of perpetrating such a deal as this, and of such faithless politicians as helped to put it thru.

And let the experience and the struggle of Seattle with its street car purchase stand out as an example and warning of what the private corporations and designing politicians will do to a city if they get the chance.

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[redacted] chief
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sion passed on August 30th, 1915 the Mayor (2) was authorized to spend Thirty Thousand Dollars ($30,000) for the purchase of the road and to issue certificates of indebtedness therefor. This was done and shortly thereafter an additional $30,000 were appropriated for the purpose of modernizing and improving the system.

The sixty thousand dollars appropriated for the purchase and rebuilding of the system were raised by a bond subscription issued for a term of ten years, bearing five per cent. interest.

The valuation of the equipment of the street car system on May 1st, 1917, the date of the latest appraisal, was fixed at $83,398.00.

Better Labor Conditions

The motormen and conductors are now (1918) paid twenty five cents per hour. Under private ownership and operation they were paid 17½ cents per hour. Immediately after the city had taken control their pay was increased and later again to twenty five cents per hour. There have been no labor disputes, trouble or strikes under municipal ownership, operation and control, which had been frequent when the road was in the hands of private monopolists.

Five Cent Fare and a Profit

The car fare within city limits is five cents with transfer privileges. The profits on the road thus far have been small, but from present indications, the road will prove a financial success and give the city a return on the capital invested with the continual growth of the city. (3)

The line is seven miles in length and divided into four routes. (4) The city owns 13 electric cars, six of which are always in operation. From May 1st, 1916 to April 30th, 1917 the income from fares on the system was $25,542.70; income from advertising was $192.00 and from miscellaneous sources $221.18, making a total income of $25,955.88. The net for 1917 was $2,177.

The electrical energy used for the operation of the road is supplied by the city owned and operated electrical light and power plant and a charge of one cent per kilowatt hour is charged against the street car system for the power.

The March 1918 issue of "Louisiana Municipalities" refers to Alexandria's municipal transit system in this way: "Alexandria has managed its car lines for a period of about three years, during which time the equipment has been increased, new lines built and in every respect better service given than during the period of private ownership."

The population of Alexandria is slightly below 20,000. (5) It is a pretty city, a progressive and enterprising municipality and there is every indication that it will develop into one of the large and important cities of this historic state.

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(1) Alexandria is governed under the Commission Form of Municipal Government.
(2) Mayor W. W. Wittington was in office at this time. He died on April 26, 1918.
(3) It is a well established principle that transit lines in cities having a population less than 25,000 are not profitable; ergo, a statement indicating losses on a municipal transit system in a city with a population less than this, does not imply that municipal ownership and operation per se is a failure.
(4) The four routes of the system are: Belt line; Depot line; Levin Lee line and the School line.
(5) The population of Alexandria, at the time of this writing, had been recently increased, but only temporarily, through the location of Camp Beauregard, located on the outskirts of the city.

These losses are due to the fact that the population of the city, which is about 12,000 inhabitants, does not warrant such a comprehensive transit system.

The large number of families possessing automobiles also cut enormously into the profits of the system.

System Becomes Self Sustaining

During the last two or three years the results of operation have been better. Writing under date of June 17, 1921, the then mayor of the city, Arnold Bernstein, says: "We maintain a 5 cent car fare and just about have the line breaking even. We believe this fully justifies public ownership as long as the rate can be held to the 5 cent limit and the car line operated in other respects efficiently".

The electrical power for the operation of the road is supplied by a city owned and operated light and power plant and a charge of four cents per kilowatt hour is made against the street car system for its power.

Labor Protests One-Man Cars

In 1917 the motormen were paid at the rate of thirty cents an hour.

Monroe has had more than its share of labor troubles with the street rail way system.

In January 1918 Samuel Kaplan, one of the members of the City Council, with a view of reducing operating expenses, introduced in the Council a resolution, which was passed, to have one man control and operate a street car —that is, to eliminate the conductor and have the motorman collect the fares.

The labor unions, which are unusually strong in the vicinity of Monroe rebelled and revolted against this measure and the wholesale dismissal of conductors it would entail. The unions petitioned the city council to repeal this measure, but the Councilmen were obdurate and the ordinance remained on the statute books of the city. Then the unions took action. The motormen were called out on a sympathetic strike. Now the city was without any transit service. Then the city procured strikebreakers and the strikers became incensed, outraged and with a spirit of vengeance took to violence. Stores were closed, business suspended, pandemonium and riot prevailed. Still the Councilmen were unyielding. On the other hand the unions refused to admit defeat or to accede to the provisions of the ordinance. Finally, the city succeeded with the strikebrakers and after months of fighting, antagonizing and bitterness between the "bourgeois" and the "proletariat" of Monroe the strike passed into history. The union men of the city boycotted the railway system, and this, too, seriously affected the income of the road.

The Pekin Street Railway

The voters of Pekin, Illinois, by a vote of 649 against 546 brought about the municipalization of the street railway system in that city, by the passage, at a referendum election on August 21, 1914, of the proposition:

"Shall the ordinance entitled 'An Ordinance providing for the purchase, rehabilitation and construction of a municipal street railway for the City of Pekin, Illinois, and authorizing the issuance of street railway bonds of the City of Pekin to the amount of $48,000.00, and providing for the collection of sufficient funds to pay the interest thereon and the principle thereof as the same become due' be approved and adopted?" (1)

The bond issue of $48,000 was for a term of twenty years and bears interest at the rate of four and one half per centum (4½%) per annum.

Private Ownership Bankrupt

The ordinance per se authorized the purchase, for a sum not to exceed $8,500.00, of the tracks, cars, charging plant and other necessary property and equipment belonging to the defunct Pekin and Petersburg Interurban Railway Company, against which corporation an action was instituted to foreclose a mortgage. (2)

The system owned and operated by the defunct corporation was constructed in 1911 and operated for a length of 2 7-8 miles from the Court House to a large factory which was employing more than one thousand men. Subsequently, the system was extended from its terminus to the eastern part of the city to what is known as the C. & A., this addition being one mile long.

The city took over the system and began municipal operation on May 1st, 1915.

The municipal system owns and operates five electric, one-man trolley cars and it is reported that the municipal service is much more efficient than the service rendered when the road was in private hands.

The city has amortized bonds, of the issue sold, in the amounts and at the times as set forth below:

1915	$ 500	1919	2,000
1916	1,000	1920	2,200
1917	1,000	1921	2,400
1918	1,500	1922	2,500

this writing (3) there is outstanding a bonded indebted-
f which will be paid by 1934 according to the terms of
ay Bonds of 1915."

te "An Act to authorize cities to acquire, construct, own and to lease
ide means therefor," approved June 21, 1913.
nghan, et al., vs. Pekin & P. L. Ry. Co., et al.

Proves a Profitable Enterprise

The financial statement of the road showing receipts and expenses (4) indicate that from the time of its acquisition by the city to the end of 1919 it yielded a net profit of $10,308.21 to the city treasury of Pekin.

The method of accounting used for the system is a modern one which affords intelligent data and does credit to those charged with that responsibility. (5)

Pekin entered the field of municipal ownership and operation of the local street car system during the regime of Charles Schaefer, Mayor. (6) It embarked on this venture because of the indescribably poor and inadequate service rendered by the private interests, which soon manifested itself in the insolvency of the corporation.

Pekin, which is governed under the commission form of municipal government, has a population of about 10,000 inhabitants. It is located in Tazewell County, in the central part of Illinois, on the Illinois River and its principal industries are coal mining and the manufacture of glucose.

Municipal Ownership Succeeds Where Private Ownership Fails

The municipal administration of Pekin is wholeheartedly committed to the principles of municipal ownership and the municipal operation of public utilities. It has made a success of the local street railway business where private interests have failed; the city is to-day operating the street car system to give service and for the benefit of all the people of the city instead of seeking profits for privilege-seeking franchise holders. Under private ownership the carfare was five cents; under municipal ownership it is five cents and six tokens for twenty-five cents.

The operation of the system is in control of the Commissioner of Public Property of Pekin, who is Charles F. Gehrig. He, as well as Mayor Schaefer and Corporation Counsel James P. St. Cerny are entitled to commendation for the contribution they have made to the cause of municipal ownership and operation of public utilities in their state.

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(4) Expenses include interest, depreciation, insurance and amount of taxes chargeable if system was privately owned. Section 9. Ordinance No. 38.

(5) There is established the "City Street Railway Fund" to which all receipts are credited and out of which all expenses are paid.

(6) Charles Duisdieker was Mayor at time of referendum election.

The Municipal Street Railway System of Fort Collins

Fort Collins, a city with a population of 12,000 persons, located in Larimer County in the north central part of Colorado, municipalized its local means of transportation, by purchase of an abandoned system, on March 1, 1919.

The purchase by the city was authorized by the electors of Fort Collins at a Special City Election on January 7th, 1919, at which the proposition: "Shall the City of Fort Collins acquire by purchase the railway property of The Denver & Interurban Railroad Company in the City of Fort Collins, or connected therewith, for the purpose of operating said railroad for the benefit of the inhabitants of the City of Fort Collins?" was submitted. Nine hundred and forty (940) votes were cast in favor of the proposition and one hundred and thirty-two votes were registered against it. At the same election there was also submitted to the property owners of Fort Collins, qualified to vote, the proposition: "Shall the City of Fort Collins incur a bonded indebtedness in the sum of One Hundred Thousand Dollars ($100,000.00) for the purpose of paying for the railway property of The Denver & Interurban Railroad Company, in the City of Fort Collins, or connected therewith, to be operated by the City of Fort Collins?". This proposition was passed by 581 taxpayers voting in support of it and 110 votes cast against it.

Troubles of the Private Company

In 1917, the Denver and Interurban Railroad Company was incorporated as a subsidiary of The Colorado Southern Railway Company (the boards of directors of each being interlocking and the operating officials identical) to operate an electric interurban railroad from Denver to Fort Collins. An interurban line, approximately thirty (30) miles in length, was built from Denver to the city of Boulder. Under a franchise granted by the City Council of Fort Collins in 1907 for a term of twenty (20) years to this company an electric street trolley car system was installed in Fort Collins, the object being to build the link from Boulder to Fort Collins, and at the same time to forestall rival transportation corporations from entering that area.

The business depression of 1907 to 1909 caused The Denver and Interurban Railroad Company to suspend operations and when business conditions again became normal the automobile had entered so largely into the transportation life of the community that it was no longer profitable, for private [illegible] to operate on a five cent fare. Another reason for the system showing a loss was that the rolling stock consisted of broad gauge cars, weighing [illegible] tons, which in their operation consumed such an enormous amount of electric energy that the cost of operating that type of car [illegible] all of the passenger revenue.

The company then sought to shorten the system and also replaced these [illegible] with [illegible] cars. These changes

were made in the hope that the cost of operation might be substantially reduced, but the net result and benefit derived from the change, did not justify the means taken.

When the Federal government took over the railroads during the war, it refused to permit the Colorado and Southern Railroad Company to continue the operation of the burdensome and unprofitable local street railway system in Fort Collins; this resulted in a proceeding whereby the Denver and Interurban company passed into the hands of receivers in June of 1918.

On July 10, 1918 the service of this system ceased and Fort Collins was again left without any means of local transportation. But this time the discontinuance of the service by private interests was permanent.

City Buys the Lines

After Fort Collins had been without street car service for three hundred and thirty (330) days the need of a cheap means of transportation for the working class of the city was acutely felt and a movement was started to acquire the junked tracks, overhead trolley wires, buildings and machinery of the defunct corporation and to operate a car system municipally. The agitation for the municipal acquisition and municipal operation of a local transit line, in the place of the discontinued one, gained such momentum that finally the proposition was submitted in the form of a referendum to the electors of the city and the question of raising funds under a bond issue to the taxpaying property owners.

At the Special City Election both propositions were endorsed by large majorities, as aforesaid.

The bond issue of $100,000.00 was sold entirely to the residents of the city of Fort Collins and was oversubscribed to the amount of $50,000.00. The bonds were issued for a twenty year term, carrying an option exercisable by the city to redeem them within fifteen years and bearing interest at the rate of five per centum (5%) per annum.

The city purchased all of the properties of the Denver and Interurban company, excepting its rolling stock, from the receivers of the company for Seventy Thousand Dollars ($70,000.00); the balance of thirty thousand ($30,000.00) remaining from the bond issue was spent for rehabilitation, new equipment and repairs. The city purchased four (4) new light weight, seven (7) ton Burley type trolley cars, operated by one man.

Municipal Operation Successful

On the 31st day of May, 1919 Fort Collins began the municipal operation of a municipally owned street surface line.

On July 7th, 1919 the "Fort Collins Courier" editorialized on the city's municipal enterprise by stating that "The City finds that it is making a success of the street car business and the public is finding that the service is beyond expectation."

The opposition to the municipalization issue came largely from a small group of reactionaries which is found in all American communities. The enterprising business men, far-sighted working folk and the progressive citizens, together with the public spirited Fort Collins Commercial Club supported the plan.

After lamenting the fact that its city had been without transportation facilities for eleven (11) months, the "Larimer County Democrat" expressed its joy on June 19th, 1919, that the people of Fort Collins "can now jump on to a Fort Collins municipal car and be swiftly carried to any point on the line they wish to go and the money the pay for car fare is kept at home, instead of being sent out to Denver or New York."

Under private operation the car fare was five cents (5c); under public operation it is five cents (5c) and six (6) tokens for twenty five cents (25c), with transfer privileges.

During the first six (6) months the average cost of operating a car mile was .115 cents and the receipts per car mile were .176 cents. In this same period, the wages of labor, employed in the operation of system (which is protected under the civil service laws of the state) were increased about fifty per cent.

City Makes Money

The receipts, expenses of operation and the number of cash passengers carried in the first seven months of municipal operation are presented in the following table:

Month	Receipts	Expenses	Surplus	No. of Cash Pass. Carried
June	$1,426.19	$1,340.18	$ 86.01	27,588
July	2,293.10	1,440.51	852.59	44,744
August	2,082.49	1,361.67	720.82	41,093
September	1,664.21	1,341.65	322.56	33,632 (1)
October	1,965.75	1,511.07	454.69	41,326
November	2,236.53	1,468.41	768.12	47,082
December	3,020.56	1,515.96	1,504.60	63,688
	$14,688.83	$9,979.35	$4,709.39	

In the same period the system carried 21,452 transfer passengers.

When it is recalled that during the busiest month of the year preceding municipal ownership the receipts of the private company were $1,255.50 and the expenditures $1,383.93 so that the deficit for that month was $128.43, this showing of an average of $2,098.40 surplus per month earned by the municipal lines is certainly very creditable.

The system is composed of four lines, operated as the College Avenue line; the Linden Street line; the Mountain Avenue Line and the Whedbee Street line, with a total mileage of six and one half (6½) miles.

The municipal acquisition and operation is authorized by Section 21, Article XVIII of the City Charter, which became effective on October 27th, 1913, after it was adopted in September of the same year.

Fort Collins has the Commission form of municipal government, with a city commission of three commissioners, one of whom is the Commissioner Works and Utilities and on whom has fallen the direct supervision of the street railway enterprise.

in enterprising and progressive city; it is the fifth largest assessed valuation of real estate property in 1921 of egistered 5,203 passenger automobiles.

in line was closed on account of rebuilding tracks.

Much credit for the splendid showing of this municipal street railway, the first in the state of Colorado, is due to Mayor Fred W. Stover, in whose administration the venture was started, to Hon. Fred P. Goeder, the Commissioner of Public Works and Utilities and to William A. Johnson, its superintendent.

The municipal experiment in Fort Collins has proved that a street railway in a small city owned, controlled and operated by the people for the benefit of the people, instead of for profits to be coralled by those franchise seekers who are actuated solely by their greed for gain, can be operated successfully and without burden to the city treasury.

The city also owns the water supply system.

It may not be long before the people of Fort Collins are so enthusiastic over the municipal operation of public utilities, that they will invade the fields of other services, which are public utilities and will insist that they, too, be operated for the benefit of the general public.

Public ownership and operation of public utilities, given a half chance, and conducted by fair and impartial public officials and employees will always triumph over private ownership.

The Municipal Railway of Lincoln, Illinois

Poor service, inadequate and deteriorated equipment, improper financial manipulations and the threatening of the body politic by those in control of the local means of transportation with the usual concomittant results—the inevitable insolvency of the company and the discontinuance of transit facilities—led the city of Lincoln, Illinois to municipal ownership and operation of the street railway system.

In 1891, private interests procured from the city, by ordinance, a franchise for the construction and the operation of an electric street railway. By the following year the Lincoln Electric Railway Company had, at a cost of $40,000.00, a system ready for operation.

Private Ownership Breaks Down

From its inception the system was financially a failure. The company from time to time had to call upon capitalists to advance additional funds.

In 1915 the road was taken over by the Lincoln Electric Railway and Light Company which operated the system at a loss for about one year. Thereafter this company became involved in foreclosure litigation (2) and the road was placed under the control of a receiver. (3) He operated it for a short time and then with the approval of the court sold the road and equipment to a private individual for a sum less then $10,000.00.

This man continued service for less than a year and like his predecessors suffered financial loss. He applied for an extension of the franchise, made arbitrary demands therefor and threatened to junk the system if his request was denied. The people became incensed at the imperious attitude of this local railway magnate and voted at a referendum election to deny the ap-

(1) Lincoln is in Logan County and has a population of about 12,500.
(2) In Circuit Court, Logan County. Hon. Lyman S. Mangas of Lincoln was the Master of Chancery.
(3) James Hoblit, Lincoln, Illinois, was oppointed Receiver.

plication for an extended franchise. Thereupon application was made to the Public Utilities Commission of Illinois for leave to discontinue operations; this request being granted. Service was discontinued and for several months Lincoln was left without transit facilities.

Commercial Club Urges Municipal Ownership

The Commercial Club of Lincoln, interested in the progress and welfare of the city, together with the farsighted professional and public spirited business men of the community, inaugurated a campaign for the acquisition, the extension and the operation by the municipality of the abandoned system and for the appropriation of moneys to accomplish this.

Pursuant to the Home Rule Act of Illinois (4) a special referendum election was finally called for and held on June 17th, 1917, at which was submitted to the qualified electors of Lincoln three propositions.

On the question "Shall the ordinance of the City of Lincoln entitled 'An ordinance to acquire or construct or acquire and construct a street railway system, and for the submission thereof to the electors of the City of Lincoln, Illinois, for adoption,' passed May 14, 1917, approved May 14, 1917, be approved?", there were cast 2751 votes in favor and 272 votes against it.

The question "Shall the City of Lincoln for the purpose of acquiring or constructing or acquiring and constructing a street railway system with necessary and appropriate equipment, borrow money and issue bonds therefor pledging the faith and credit of said city, in an amount not exceeding $30,000.00?" was likewise passed by a vote of ten to one—2,720 votes being cast in favor and 275 votes against it.

Two thousand seven hundred forty four (2,744) voted in favor and 272 against the question "Shall the city of Lincoln, Illinois operate a street railway system as a public utility?"

The bond issue of $30,000.00 authorized by the second proposition, aforesaid, was largely taken up by the local banks and residents of the City. These bonds are amortized yearly by a sum of $3,000.00.

The City took possession of the abandoned transit system on June 19, 1917, paying the receiver $13,500.00 in cash therefor. It immediately expended $1,650.00 for extending the system. It is now approximately seven miles in length and runs to Chautauqua Park. (5)

In 1918, another bond issue of $35,000.00 was voted to rehabilitate, improve generally and extend the road and the equipment. The indebtedness of $65,000.00, incurred by the first and second bond issues, has been reduced to $38,000.00. The interest rate is five per centum (5%) per annum.

The value of the system as given in June 1919 was $66,153.52.

Keeps a Five Cent Fare

The municipal operation of the system began on July 1st, 1917.

The fare is five cents which includes transportation over the Chautauqua extension. Under private ownership an additional fare of five cents was collected for this Chautauqua trip.

The fare under private ownership and operation was five cents without transfer privileges. Under municipal ownership and operation it is five

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(4) Section 655 of chapter 24 of Hurd's Revised Statutes of 1917. The City of Lincoln had power to purchase and to operate a railway system, provided that the ordinance of purchase was approved at an election by a majority of the people. The method of buying, whether by bond issue, general tax, special assessment or combination of both; and the sanction of the people for the city to operate the line after purchase *had been made* was likewise to be ascertained by a majority vote at an election.

(5) Chautauqua Park is outside of the city limits.

cents—six tokens for twenty five cents—with transfer privileges. The municipality has fixed the car fare for children at 2½ cents.

The city purchases the electrical energy for the operation of the system from a local private power company for which it pays 1½ cent per kilowatt hour.

The method of keeping the accounts of the municipal railway system is that devised by the Interstate Commerce Commission.

The abandonment by private interests, actuated solely by their greed for gain, of an antiquated street railway system has resulted in a modern, efficient and profitable municipal road, with service which the people of Lincoln enjoy—service rendered by the people for the general welfare and common benefit.

The City Makes a Success of It

Municipal ownership and operation of the street railway in Lincoln has been tested and has stood the test.

In a letter to the Director of the American City Government League, the Master in Chancery for Logan County in Lincoln writes: "that the street car line has been giving this little city the best service which it ever had without ever increasing its fares above five cents." (6)

Lincoln, IIllinois, to-day can proudly proclaim that it has made a municipal success where private interests have dismally failed.

(6) Letter by Hon. Lyman S. Mangas, dated May 20, 1922.

Eureka, Calif., Municipal Railways

In a published letter of Hon. A. C. Dauphiny, the mayor of Eureka, Calif., (population 12,923) we learn of the success of the municipal street car lines in that city. The mayor says that after paying all expenses and interest on the bonds for the year ending August 15, 1922, the lines made a profit of $3,688.80.

Early in the year, it seems, $50,000 of the bond money secured by the city was set aside for improvements and extensions. All but $4,581 of this amount has been expended. A large portion of the road bed has been repaired, trolley wires replaced, cars remodeled and some rebuilt and other improvements made so that the system is now in very much better condition, according to the mayor's report.

Ashtabula Municipal Railway

Ashtabula, Ohio—the first city in that state—on Monday, April 24, voted to take over the street car lines.

Thus another city in our country is added to the rapidly growing list of municipal street car systems. There are now twenty nine cities in the United States and Canada that own and operate municipal railways—Ashtabula will be the thirtieth.

Long Struggle

The following is the story of the acquisition of the properties as told by the Cleveland Plaindealer of April 25:—

"The acceptance by the people of Ashtabula of an ordinance passed by city council, whereby the city is to purchase the property of the Ashtabula Rapid Transit Co. for $350,000, ends Ashtabula's street car war.

"The ordinance was ratified in the special referendum election Monday by a majority of 559 votes.

"The city hopes to consummate the transfer of the property and begin operation of the line by July 1 of this year. Ashtabula then will be the only city in Ohio to own its own street railway system.

City Will Improve System

"While no plans have been announced for the future, it is understood the city intends to spend at least $50,000 on equipment and improvements to the road, as the first move in its campaign to give better car service under municipal ownership.

"The city proposes, it is said, to purchase at least six one-man safety cars. This will enable the line to give ten or twelve-minute service.

"The city's street car troubles date back to the '80s, when the old John N. Stewart horse car line was put out of business by councilmen and city officials who, in the stillness of night, literally tore rails from the streets.

"Later the city's first electric railway system was built. Before the World War the Ashtabula Rapid Transit Co., or the "A. R. T." as it was called, was able to give reasonable service for 5-cent fare and keep its property in fair condition. At that time the line represented an investment of about $300,000.

Private Ownership Fails

"But when the war came and prices soared, the A. R. T. found it impossible to continue adequate service at 5 cents. A 7-cent rate was asked, but the council rejected the request. Then a 6-cent rate, granted by council, was referred to a referendum vote of the people.

"The company continued to operate but high prices and low income prevented it from giving the kind of service Ashtabula people thought they should have.

"In 1924 the A. R. T. went into the hands of receivers. Charles Currie and Thomas of Pittsburg, former members of the A. R. T. directorate, were appointed. Backed by a court order, the receivers were able to get the money."

Municipal Ownership

Many Ashtabula residents, who had long entertained the hope of municipal ownership of the street railway line, saw in the fast dying A. R. T. a chance to realize their dreams.

Their agitation found response among councilmen and city officials and arrangements were made whereby the line was offered to the city for $296,000.

The city accepted the offer and the transaction was ratified by the people, but the deal never went through, owing to failure to find a market for the bonds.

Last summer agitation for municipal ownership was renewed. The receviers at that time offered to sell for $197,000. But the people voted down the offer.

During the winter, stockholders in the defunct railway system begun agitation which eventually resulted in the line being offered for sale at $150,000. This offer the council accepted in an ordinance, which the people ratified Monday."

League Member Starts the Movement

It was a member of the Public Ownership League, it seems, Mr. William E. Boynton, a locomotive engineer, of Ashtabula, who started this movement

This was back in 1919. Early in the year the company which found itself practically bankrupt and came to the city council asking for an increase of fare. Mr. Boynton was then a member of the council and at once suggested that the city should consider municipal ownership. And in this connection he wrote a letter to the president asking what would be the lowest price the company would take for its properties.

Wanted $500,000 — Finally Got $150,000

The president replied that it would be around $500,000.

That was what the company wanted, and, perhaps, thought they could get in 1919. As stated above the city finally got the lines for $150,000.

And this is a significant bit of history. Cities contemplating the municipal ownership of any of their public utilites must be on their guard against paying excessive and impossible prices. The companies invariably try to "unload" at fancy prices. However with the rude awakening of the city of Seattle where the notorious Ole Hanson worked thru a deal that unloaded a property worth about $6,000,000 at a price of $15,000,000 onto the city, before us, cities are less likely to be caught in that trap. And Ashtabula was not.

The $500,000 first demanded by the company was of course impossible and after several months of waiting the directors of the road came to the council and after several sessions in which they tried to get together on the price a compromise was made on $296,000.

City Could Not Issue Certificates

Here, however, arose a difficulty that confronts nearly every city when it comes to taking over any of its utilities—the city did not have the money, it lacked the financial ability. It was held that Ohio cities could not issue general municipal bonds for the purchase of street railways. Agitation was then started to secure legislation that would enable the city to issue "special bonds" or "certificates" which would be a lien upon the street railway only.

Meanwhile, however, a case was started by another city—Toledo, we think it was—which resulted in a decision by the Supreme Court of Ohio that general bonds of the city could be issued and used for the purchase of the street railway properties.

This enabled the city to finance the deal and the lines were taken over as explained above.

such a covenant and its oral contract was broken within four months. May 1st, 1922 brought another reduction of wages and the men threatened to strike. They were getting 55c an hour. It was reduced to 52c. But two nights before the strike took place, the wages were restored. This word was sent, however, only to the Mayor, the company refusing to communicate with the men. From the first the company refused to confer with any representative of the workers, or of the citizens, or Citizens' Committee of even the Mayor. "Hence," the Committee reported "the responsibility for the continuance of the strike rests with the company."

Jitneys.

When the street car service stopped July 2d, several thousands citizens were licensed to operate jitneys at a fare of 10c. They were routed like car lines, and shortened the service about half. Then the state demanded a chauffeur's license of all persons operating jitneys. Then the federal government came in with a demand for a $10 wheel tax of each and it was paid. And for one month the jitney ruled supreme. However after the first week there were a few cars on a few lines, but the public refused to patronize them.

Troopers and Violence

About the third week, against the protest of the Chief of Police and the Mayor, the troopers were brought in. Until then there had been picketing but no violence. All changed now. Life ceased to be safe. Lines had to be patroled. Watchmen were stationed around the bunk houses and barns. Stale eggs, apples, vegetables and onions were the weapons of women and boys, while men indulged in powder and nitroglycerine and twelve cases of dynamiting were reported. Coaches were hoisted off the tracks and ends blown out.

Public Service Commission Enters

Under such conditions it was evident that the public must avoid the cars, though the company insisted that the people would ride except for the jitneys which they claimed were doing an illegal business. Both the Mayor and Chief of Police were accused of favoring the jitneys and the strikers. The Mayor replied with some spirit that he stood by the public which had to ride, and the jitney was the only conveyance available as the company was using but 170 out of the normal 600 cars, furnishing no service on some lines and no night service on any line.

The Law

At this point the Public Service Commission was summoned. It read the law and held that the city had no authority to license the jitneys.

The law in this case is an interesting piece of legislation. It reads as follows:

"Conveyances carrying passengers at fifteen cents or under may not be operated on the streets of any city in competition with another common carrier without consent of the local authorities and a certificate of convenience and necessity from the Public Service Commission."

Jitneys Ruled Off

After the jitneys had been running five weeks during part of which there was no other transportation; after being licensed by the city and paying state and federal tax, a supreme court judge issued a mandamus directing the Mayor to clear the streets. The Mayor took an appeal but again the Court ruled against the jitneys and the Mayor was compelled to order the

VIII. LABOR CONDITIONS

Labor Condition Better Under Municipal Ownership

That labor stands to gain in the matter of better wages, better conditions, shorter hours and recognition of its organization is repeatedly and conclusively demonstrated in the experiences of municipal lines which are reported in subsequent chapters.

San Francisco—In San Francisco, for example the municipal lines paid 62½ cents an hour when the private lines operating right beside them paid 46 to 52 cents; the municipal lines gave the men a six day week while the private company had no limit of hours; and the municipal lines looked with favor upon the organization of labor while the companies fought the unions bitterly, there being two disasterous strikes on the company lines in recent years and no strikes on the municipal lines.

The contrast in the conditions of labor on the municipal lines of San Francisco as compared with those in the private lines in the same city is presented by Mr. Hayden in his article on "How San Francisco Settled It's Street Car Problem" which appears elsewhere in this bulletin, in the following form:—

The Contrast

Municipal Railway	Private Ownership
8 hour day in 11	No limit
Six day week	Seven day week
62½ cents per hour	46c to 52c per hour
Favors union labor	Fights union labor
Never had a strike	Two disasterous strikes

Detroit—And, again, when Detroit took over its lines there was an order of the private company pending to reduce the wages. The city immediately rescinded this order and maintained the wages at 55, 58 and 60 cents an hour. At the close of his address at the Public Ownership Conference in November, 1921 Mr. J. S. Goodwin, General Manager of the Detroit Municipal Railways was asked as to the policy of the municipal lines towards labor. He replied that the policy was to pay union wages, to favor organization and that all the employees were members of the Amalgamated Association. It later developed that Mr. Goodwin had himself in earlier years been a street car motorman.

Seattle upon taking over its lines increased wages twice during the first 20 months. The first increase was from 46 cents to 53.1 cents per hour for the first three months service; from 46 to 56.3 cents for the 4th to 6th months service; and from 50 to 59.4 cents for those in service for one year and over. A second increase was given in October of the same year advancing the wages for the first 3 months to 59.4 cents; for the 4th to 6th months to 59.4 cents; for the 7th to 12th month and longer to 65.6 cents.

The increases of wages under municipal ownership in Seattle may be seen in the following table:—

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Scarcely a Day Passes that we do not help some city in its work of establishing a municipal electric plant, gas plant, water works or street car line. Over 750 cities have installed municipal light and power plants since the League began its work and at least 50 of these cities have sought and used our service in taking over their plants. The Hydro-Electric Power Commission of Ontario (state owned) makes glad the people of 275 cities with the chants of chained lighting at 3c a kilowatt while others pay 9.

"Electrify America"—has become a slogan. The public ownership and development of hydro-electric power and the uniting, interconnecting and coordination of both steam and water driven plants of a whole state will do it—is doing it. Ontario has shown the way. California votes November 7, 1922 to follow her lead. Georgia and more recently the state of New York hae strong movements for the same development.

We are Building the Institutions of Social Justice.—We measure our progress by city ordinances passed; by state legislation enacted—by decisions wrung from reluctant court—not excepting the United States Supreme Court at Washington; and by institutions and industries recast, to secure some better degree of social justice.

Help Us Carry On—Are not these things worth while? Are they not **ery much worth while?** And would you not like to have a part in this constructive, substantial, abiding work? We need you. We want your help. We bid you—join us—today.

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BULLETIN NO. 37

The Chicago Traction Problem and Its Solution

by

Carl D. Thompson
Secretary

PUBLIC OWNERSHIP LEAGUE OF AMERICA
127 North Dearborn Street, Chicago, Illinois

Chicago's Traction Issue At a Glance

Essential Features of the New Lisman Plan and the Insull Plan in Relation to the Surface Lines.

Features	*Under New Lisman Plan*	*Under Insull Plan*
Ownership	Municipal (At once)	Private.
Operation	By Company as lessee.	By Company as owner.
Control	Municipal	State.
Franchise	20 years.	Perpetual.
Extensions	Up to $100,000,000.	Same.
Taxes	Car-riders not taxed on their purchase of surface transportation.	Car-riders taxed annually $3-600,000 plus on their purchase of surface transportation.
Capitalization and Amortization	Indebtedness of $163,-500,000, (representing the present valuation) will be paid off in 20 years and also the new money put in by company.	Indebtedness of $163,500,000, (representing present valuation) WILL NEVER BE PAID OFF, but may be increased by means of a revaluation of the properties to $220,000,000 and will grow in 20 years with the new money put in by the company to $243,500,000 or $300,-000,000, the company receiving annually, forever, 7½% allowed by State on capital value.
What Company gets during 20 years, net.	$46,276,000, definitely fixed by ordinance.	$101,995,000, if initial valuation is $163,500,000, or $186,-745,000 if initial valuation is $220,000,000.
What City will own at end of 20 years.	A surface system, free from debt, worth $243,-500,000 or more.	Nothing.
City's net annual revenue. after 20 years.	$21,000,000 and upwards.	Nothing.
Fare.	Same as now, 7c.	Must be increased.
Traction. Fund.	Retained by city and, if city elects, invested in subways and new elevated under city ownership and control	Invested in subways under city ownership, which, however, company or State will control.
Subways	Optional with city—owned by city—half public cost advanced by company—part paid by special assessment—public share amortized out of rentals.	Compulsory upon city—paid for out of traction fund plus special assessment and general funds.
Labor	Highest wages, best labor conditions assured by city ownership. One day off in seven. Accident, sick and death benefits. Old age pensions.	Negotiations now pending. Several strikes called against present companies on claims of inadequate wages and unfair conditions.

The Chicago Traction Problem and Its Solution

A study of and Report upon the Various Plans Proposed, by Carl D. Thompson, Secretary, Public Ownership League of America.

There are now pending before the City Council of Chicago two plans for the solution of the city's traction problem. Other plans have been suggested but to date only these two have been put into concrete and definite form in the way of definite measures or ordinances. The first of these two is the plan of the existing traction companies and the latter is the so-called Lisman Plan.

Part I.—THE TRACTION COMPANIES' PLAN

The traction companies' plan has not yet been fully worked out. At least it has not been made public. But from measures that were introduced in the state legislature last spring and others now pending in the council we know pretty well what the traction companies' program is. They want an indeterminate permit, which, under existing laws in this state, will be a perpetual franchise. They have a scheme for consolidating the surface, elevated and subway lines. Such a consolidation would put the Insull interests into a dominating position in the control of the entire traction situation. And, of course, they want subways right away. But before we can start subways, we are told, there must be a tenant to rent them. Samuel Insull stands ready to rent. With a lease of the subways Mr. Insull will have a strangle hold on the city's transportation.

On the financial side the companies want not only the entire present capital account of $163,500.00 validated but have already begun to talk of an increased valuation on the basis of the theory of "reproduction new, less depreciation," a contention that has recently been upheld by the United States Supreme Court. If they succeed in establishing such a basis, as they surely will if they get a renewal of their franchises, they will have a valuation of $220,000,000 for the surface lines and, in addition, $105,000,000 on the elevated—a total of $325,000,000. Upon this huge capitalization they will demand and the commission and the courts will allow a seven and one-half per cent return. Such a return cannot possibly be earned except with an increase of fares.

Furthermore, the city's traction fund of approximately $55,000,000 is to go into the construction of subways in addition to special assessments and other funds. And meanwhile the control, as now, is to continue in the hands of the Illinois Commerce Commission, if, indeed, it is not taken out of the state entirely and put under the Interstate Commerce Commission in Washington, D. C.

Thus we are face to face with the immediate danger of losing the control of our transportation system for all time to come; of having loaded

upon it an enormous over-capitalization which is never to be amortized —never to be less, but always more; and, therefore, constantly increasing fares that will be a burden upon the car riders and a restriction of the industrial development of the community. It is possible, of course, that as negotiations proceed the companies may modify their program and offer the city substantial concessions. They probably will. Our present analysis and discussion is based upon the present program of the companies as nearly as we can get at it.

There is absolutely no need or possible excuse for any such abject surrender of the interests of this city to Samuel Insull and the traction companies as at present proposed. There are several other ways out of the present situation, any one of which will avoid these insufferable burdens and give the city immediate and permanent protection. One of these plans —and the one that to us seems the most feasible is the so-called Lisman plan.

Part II.—THE LISMAN PLAN.

The Lisman plan was first presented September 13th, 1926. It was then in ordinance form and submitted to the Local Transportation Committee of the city council on January 10, 1927. It has been carefully considered by that committee and has been gone over section by section by the city's law department and the committee's consulting engineers. It has also been carefully analyzed by the consulting engineers of the committee on local transportation of the City Club of Chicago, Mr. W. R. Rhoads, and by Prof. E. W. Bemis, consulting engineer and member of the Public Ownership League and others. It has recently (Oct. 1, 1927) been modified in certain very important respects decidedly to the advantage of the city and still remains to be given its final draft before it is submitted to the city council for passage and referendum vote by the people. Detailed study of the 138 pages of the original draft of the ordinance together with the proposed changes submitted Oct. 1st in a letter to the Mayor and the Local Transportation Committee of the City Council, together with a careful check-up with the reports of the above mentioned authorities on the ordinance shows the following as the outstanding features —

1. **Immediate Municipal Ownership.** The Lisman ordinance accepts as the purchase price to be paid for the present traction properties the amount provided for in the franchises which have recently (Dec. 1, 1927) expired. This is roughly $164,000,000.

The city is to acquire the ownership and title to these properties under the Lisman Plan in the following manner:

A [illegible] is to be granted the Lisman company. The common then issues its securities [illegible] are to be exchanged par for [illegible] existing securities [illegible] to $[illegible] are for extensions and improvements. The Lisman ordinance then requires the title to the properties [illegible] company passes the title to the city [illegible] contract to [illegible] contract under the [illegible].

2. **Lease Operation.** [illegible] Lisman Company receives a [illegible] by the city [illegible] terms of a 20 [illegible]

III. Paid for Out of Earnings. Under this plan no city bonds, city debt or other public obligations are required or incurred. The purchase of the lines is effected by the use of private capital as explained above. The capital account is then amortized out of earnings. The original Lisman ordinance was checked up by Major R. F. Kelker, consulting engineer for the Local Transportation Committee of the City Council and it was found that the entire capital investment would be paid off in 30 years on the basis of the present 7c fare. Recently, however, the Lisman company has suggested amendments to their ordinance by which, as stated above, the city will acquire the title to the properties practically at once so that they will become municipally owned from the first. This will relieve them of taxation and make available $3,600,000 per year which may then be used, if desired, for shortening the period required for amortization of the capital account and for other matters advantageous to the city and the street car men. If applied to shortening the amortization period, the private capital would be paid off in 20 years or even less and thus the whole property, valued then at $243,500,000 or more with an earning capacity of $21,000,000 and upwards net per year, would not only be owned by the city but would be free of all indebtedness.

IV. Home Rule. Under the provisions of this ordinance the city would within a year or two acquire complete control and home rule of its local transportation system. The public utility laws of the State of Illinois specifically exclude municipally owned utilities from the jurisdiction of the Illinois Commerce Commission. The city would then set up its own traction commission which, as distinctly provided for by the ordinance, would have all the jurisdiction and control over local transportation which is now exercised by the Illinois Commerce Commission over such utilities when privately owned.

The regulatory control of the properties would be exercised by a board of transit engineers composed of three members, one appointed by the Mayor, a second by the company and a third by agreement between the city and the company. This board under the ordinance is given very wide supervisory and regulatory powers. (See section 35, p. 79-84.)

V. Service at Cost. The Lisman Plan eliminates the element of private profit-making as such. The company is to receive a fixed compensation of two and one-fourth mills per revenue passenger and 4½ per cent of certain incidental earnings. The compensation to the company thus being definitely fixed, the disturbing element of private-profit making is removed. The service is based definitely on the cost of operation. And the cost of operation is definitely fixed and guaranteed by the later provisions of the ordinance. The total compensation which the company is to receive during the first 20 year period, according to the check-up by the committee's consulting engineer Major Kelker in his analysis, is $46,276,000 net. For exactly the same services the present companies would receive $101,-995,000 net after paying interest charges on the basis of the present valuation—considerably over twice as much. And if they succeed in securing the increased valuation of $220,000,000 mentioned above, they will receive $186,745,000—net after paying interest charges, over four times as much as the Lisman company.

If the consolidation with the elevated lines which they are seeking is effected then the net returns to the present companies will amount to

above; so also a lease of the subways. When the franchises of the elevated lines of the Chicago Rapid Transit company expire they are to be taken over in a manner similar to that used in acquiring the surface lines and at a price to be approved by the city. Or failing to effect such a purchase, then new, independent city lines are to be built. Motor busses are also provided for to be used as feeders, and will be made essential parts of the system where they are found to be more practical and economical than rail transportation and particularly as competitors with other forms of transportation in case the companies should be unwilling to accept reasonable arrangements for sale or lease. All of these various methods and systems of transportation are to be co-ordinated and unified into a general system. Provision is made in the ordinance for universal transfers to and from each of the various forms of transportation as they are unified and co-ordinated.

VIII. Fares. For the first year of the franchise the fares are to remain the same as now—7c on the surface lines. After that the fares are to be adjusted so as to cover "cost of service." The franchise specifically defines and limits the cost of service to include operation, taxes, interest and purchase fund and compensation to the city and company. There is established a so-called "fares stabilization fund" of $6,000,000 which is to be supplied temporarily from the city traction fund. If in the operation of the properties any deficits arise, they are to be supplied from this stabilization fund. And if a surplus arises it is to be paid into the "renewal and depreciation fund," to reimburse that fund for any payments there-from for amortization. And any surplus after such reimbursement is to go back again into the stabilization fund. Under this arrangement and the provisions of the ordinance, if in any three months the stabilization fund becomes greater than $8,000,000, the fares shall there-upon be reduced by 1c. If on the other hand within any three months period the stabilization fund becomes less than $3,000,000 the fares shall then be raised 1c.

IX. Extensions and Additions. The company contracts to build extensions to the amount of 75 miles of double track during the first five years and another 75 miles of double track during the second five years. The total cost for the extensions during this first ten years period is placed at $50,000,000. After this first ten year period the "company shall extend and equip its lines as the City Council and Transit Board shall require." For this second ten year period another $50,000,000 is provided, making a total of $100,000,000 for extensions and equipment during the twenty year period.

X. The Traction Fund. Provision is made in the ordinance for a number of funds, the sources from which they are to be drawn and the purposes for which they are to be used. The present traction fund is to be continued, made up of what the city already has in that fund, approximately $55,000,000, to which is to be added that part of the city's share of earnings, subway rentals, etc. not needed for amortization. The fund is to be used partly and temporarily for the creation of the fares stabilization fund, but chiefly for the cost of constructing subways in case the city elects to build them and for other incidental expenses, if any, in connection with the city's interests in acquiring the lines.

XI. Better Labor Conditions. The matter of wages, hours and labor conditions are not definitely covered by the provisions of the Lisman or-

And meanwhile the present companies continue in control, tightening their hold upon the situation.

The adoption of the Detroit Plan depends upon securing an agreement with or consent of the companies. This, under conditions existing here, the city is not likely to get. It is argued by those who favor the Detroit plan that if the city would absolutely refuse to grant any further franchises or extensions of permit unless and until the companies agreed to sell upon reasonable terms; and, further, if the city would install motor busses or independent competing surface or elevated lines owned and operated by the city—the companies would soon be willing to negotiate. All of which may be very true. But again the trouble is that Chicago lacks the strategic advantages that Detroit had which we have mentioned above.

Under existing circumstances we feel that the Detroit plan does not offer the best practical solution of the Chicago traction problem. We agree with George C. Sikes who while believing the City Bond Purchase Plan the best of all the plans, never-the-less favors the Lisman plan, saying: "I do not want to make the mistake of standing for the best and thereby get the worst."

In a recent address over the WCFL radio station the writer pointed out these difficulties comparing the situation in Detroit under Mayor Couzens to the situation here in Chicago under Mayor Thompson. It happened that Mayor Thompson was "listening in" on this particular talk and at once called up WCFL by phone vigorously protesting that we had done him a great injustice. He pointed to his record in the past asserting that it showed him always fighting for municipal ownership. From this we infer that Mayor Thompson wishes us and the public to understand that he is not opposed now to municipal ownership of the street car lines in Chicago. During the conversation he said very definitely that he was "not opposed to the Lisman plan." By this he obviously intended that we should infer that he would be FOR the Lisman plan or for some equally good or better municipal ownership plan. If there is or can be devised a better municipal ownership plan than the Lisman plan none would welcome it more than we; and if Mayor Thompson will help us get either the Lisman or a better municipal ownership plan none will be quicker to accord him full honor for doing so than we.

III. **The Motorization Plan.** Another alternative plan that is being urged by some is that of motorization. This plan proposes to eliminate the street car lines entirely and substitute motor busses. It proposes to use the traction fund for this purpose. The $55,000,000 in this fund will be enough to buy 4,500 busses of the very best type with enough over to build the necessary garages. It is believed that 4,500 motor coaches will be sufficient to handle considerably more than the present traffic; that the electric railway is becoming obsolete and should be replaced anyway; that busses are much cheaper and with the street cars off the streets will relieve congestion; that the cost of service would be less and that that together with the elimination of capital charges would make it possible to reduce fares to 5 cents and at the same time pay better wages and have better labor conditions; and, of course, the system being municipally owned would secure for the city all the advantages of such ownership and control. (See pamphlet on "Motorize the Entire Surface Line Transportation of Chicago, etc." by Municipal Ownership Central Committee address Room 818—155 N. Clark Street, Chicago.)

We do not believe this plan would be feasible here in Chicago for the following reasons: (1) We do not know of any engineering or experienced auothority on local transportation that supports the idea of the substitution of motor busses entirely for rail transportation in a city of the size and under conditions that prevail in Chicago. (2) From a layman's standpoint it would seem that the effort to put upon the streets of Chicago, already fearfully congested, a sufficient number of additional motor busses to offer effective competition to the existing street car service would make confusion worse confounded and traffic conditions impossible. (3) We doubt whether the use of motor busses is sufficiently popular as a means of local transportation to enable the city to draw traffic away from the street car lines sufficiently to act as a real effective factor in driving the companies to come to terms. (4) And, finally, as feeders and auxiliary means of transportation in connection with other means in which the motor busses have their proper sphere and even as means for bringing the companies to proper terms where city competition is needed motor busses are better provided for in the Lisman plan and could be better provided for under either of the other plans above mentioned than they are in this motorization plan.

The Lisman Plan Seems Best

We therefore come back to the Lisman plan as the one offering the most advantages to the city and at the same time the best chance of gaining sufficient popular and official support to make it likely to carry and thus defeat the program of the private companies.

In a nutshell, the new Lisman Plan—

1. Gets rid of private monopoly control of traction in Chicago for all time.
2. Gives to the city at once home rule and the local control in traction matters that it has been struggling for years to secure.
3. Amortizes the capital account of the surface lines in 20 years, an achievement which is by all odds the greatest advantage of municipal ownership.
4. Eliminates the dead capital and puts an end to a constantly increasing capital account that daily becomes a heavier mill stone around the neck of this city.
5. Earns for Chicago in 20 years a property which at the end of that time will be entirely free from dept, will have a value of $243,500,000 or more, and will produce an annual revenue of $21,000,000 to help reduce fares and taxes.

All this the Lisman Plan will do without increasing street car fares above the present rate of 7 cents. It will avoid exhausting the city's bonding power, thus obviating the main objection to the City Bond Purchase Plan. It will avoid the possibility of legal entanglements which makes the Detroit Plan dangerous here.

The Lisman Plan requires no new legislation beyond the passage by the city council of the ordinance that embodies it.

The Lisman Plan seems unquestionably to afford the best fighting opportunity we have to defeat the Insull traction program and to get most of the advantages of municipal ownership at once, with a free hand to get the others whenever the people are ready for them and insist upon having them.

Bulletin No. 17

MUNICIPAL WATER WORKS

By

Carl D. Thompson

Public Ownership League of America
127 N. Dearborn Street,
Chicago, Illinois.

MUNICIPAL WATER WORKS

Why Three Thousand American ... - All of the Larger ar... the Smaller One... Operate Municipal

By the Public Own... rica, 127 N. Dearbor... o, Ill.

... cities in the United State... operat... ...s.

... the twenty-two largest cities in... ...ete their water plants. These inclu... ..., Philadelphia, St. Louis, Boston, Cle... ...more, Pittsburgh, Los Angeles, Buffalo, Sa... ...ti, Newark, New Orleans, Washington, D. C., ...Jersey City, Kansas City and Portland.

Every one of the thirty-eight largest cities ...ney but one - Indianapolis - own and operate their ...

All but seven of the sixty-six largest cities... country own their plants. Of the 219 cities having a p... of 30,000 or over, all but 49 own and operate their pla... other words, more than three fourths of all the larger ... America own and operate their water plants. (1)

In all there are 3,045 cities having municip... and only 1,355 having privately owned plants - consider... than twice as many publicly owned plants as there are p... owned. (2) Moreover, the percentage of publicly owned... has grown steadily from 6.3 per cent in 1800 to 15.6 pe... 1825; to 42.9 in 1890 and to 69.2 per cent in 1917.

Why the Universal Trend to Municipal Ownersh...

How are we to account for this universal t... municipal ownership? What are the reasons that have l... cities in such steadily increasing numbers and definit... policy to municipal ownership in the matter of water w... are dealing here, not with opinions or theories, but w... facts in the experience of American municipalities. H... to account for them?

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(1) U. S. Census, 1917, "Financial Statistics of Citie...
(2) McGraw's Water Works Directory for 1915.
(3) "Municipal Monopolies," Bemis, p. 16.

MUNICIPAL WATER WORKS

Why Three Thousand American Cities - All of the Lar the Smaller Ones Own and Operate Municipa Water Works

By the Public Ownership League of America, 127 N. D Room 1439 - Chicago, Ill.

Over three thousand cities in the United operate municipal water works.

Every one of the twenty-two largest citi country own and operate their water plants. These York City, Chicago, Philadelphia, St. Louis, Boston Detroit, Baltimore, Pittsburgh, Los Angeles, Buffal co, Cincinnati, Newark, New Orleans, Washington, D. Seattle, Jersey City, Kansas City and Portland.

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(3) "Municipal Monopolies," Bemis, p. 16.

Pure, Abundant Water Absolute Necessity

No human being can live very long without

An abundant supply of good pure water is
most absolute necessities of life. And especially s
city and the city dweller.

We must have water to drink. If it is c
all is well. But if by contamination of the supply
of typhoid has entered, an epidemic sweeps the city
stalks abroad. We need water for bathing and washi
water is clean and "soft," comfort, cleanliness and
prevail. If not, there is endless discomfort. An
breaks out, if there is plenty of water and enough p
property and the city may be saved. If not, disast
tion leave us but ashes and ruin.

In the city we must have water. It is a
life or death. Incidentally it is to our advantage
and collectively to have the water supplied as chea
sistent with the service rendered.

For a hundred years the people living in
of America have been struggling with this problem,
this experience on the part of thousands of cities
lions of people, have come certain definite and est
convictions and conclusions. Among them the follow
mentioned:

Private Ownership Imperilled the Public

Experience has proven that private enterpri
trusted to keep the water supply of a city free fro
tion and therefore often imperils the health and th
people. Hence the cities have been compelled to tu
ownership in order to ensure a pure and healthful w

The problem of protecting the water supp
especially as its population and congestion becomes
difficult, requires such costly processes of purifi
rigid and careful guarding both at its sources and
system, such continuous scientific tests to determi
approach of infection, that private enterprise is q
to the task. At least the task and the expense of
requirements, is so great that it has proven unattr
private enterprise and it has given way to public c

In order to ensure a pure water supply,

Public Safety Required Public Ownership

Experience has proven that private and publi
and the city itself can be sure of better protection fr
under public than under private ownership and operation
water works. Here again the interests of the individua
general welfare and safety of the city as a whole are t
ly involved to trust them to the caprice of private own
enterprise. Adequate fire protection requires the main
large quantities of water, sufficient pressure, a large
hydrants and other equipment which is seldom needed or
which when needed becomes suddenly a desperate necessit
a burden that private enterprise does not like to carry
chief purpose is and must be the greatest possible prof
therefore tends to shirk the responsibility as much as
in doing so endangers the safety, not only of personal
but of the whole city.

No less authority than the committee of Twen
National Board of Fire Underwriters, testify to the ina
private ownership in this respect, and declare that mun
owned and operated water works meet the requirements of
tection better than those that are privately owned. (1

Public Comfort and Convenience

Experience has proven that public ownership
ter in matters of public comfort and convenience than

Where the water is dirty or roily it is unsatisfactory
ing, cooking, bathing or washing and must be treated by
tion or otherwise; and where the water is too "hard," i
artificially softened. The processes by which these r
obtained are often very costly and in all cases are mo
expensive. Private plants naturally seek to avoid th
volved, whereas municipal plants whose avowed motive i
venience and comfort, more readily adopt the necessary

In Columbus, Ohio, for example, the municip
five different processes for the purification of its w
lows: Sedimentation, coagulation, slow sand filtratio
filtration, and chemical sterilization, and for each o
cesses expensive equipment is required and the total c
ment of the water is $17.46 per million gallons, which
est of any city in the United States. No private comp
been known to undertake any such expenditures and it i
unreasonable to expect them to do so. Of the 155 citi

(1) Quoted from National Civic Federation Report, Part
page 130.

municipal water systems covered by the Government Repc seventy-three employed one or more processes of purifi

Economies of Public Ownership

Experience has proven that great economies by public ownership so that the service costs less, at time being better and more satisfactory.

The municipal water works of Milwaukee supp average private consumer at about $3.00 per year or 25 month. (2)

Compare this rate of $3.00 per year with th privately owned water plant and the results are surpri same State, at Racine, to the south, and at Superior, are two cities both served by private companies and bo their water from the lake as Milwaukee does. In both the cost of water is almost exactly five times as grea Milwaukee. Elsewhere the contrast is even greater. I Kentucky, a patron of the private water plant pays $30 for what a Milwaukee patron pays $3.00.

In explanation of these quite remarkable ra be said that practically all of the service in Milwauk ed; that there is no so-called "minimum charge" which plants and many municipal plants make; and, what is mo cant of all, there are no special rates to large consu body pays the same rate. The rate is 6 cents per 1,00 and everybody pays that rate whether he uses 2,000 gal month or 2,000,000.

Water - $3.00 per Year

As a result of these methods about 38 per c total receipts of the plant is paid by 30 of the large such as the railroad companies, and other big corporat use great quantities of water and pay the same rate as citizen - 6 cents per thousand gallons. And this prod of $3.00 a year for the average householder as mention

Three dollars a year for water - that is wh

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(1) United States Census Report - Water Supply Systems Statistics of Cities on Water Supply Systems, Part

(2) Report of the Milwaukee Water Works, by H. P. Bohma

ownership has done in the matter of supplying the comm
one of the necessities of life.

While it is very hard to compare rates, sin
so many different and complicated methods in fixing th
way the following are some of the contrasts: As over
6 cents per 1,000 gallons charged by the municipal pla
waukee, the private plant in San Francisco charges 54
Oconto, Wisconsin, 50 cents; in Indianapolis, 42 cent
Kentucky, 51 cents; St. Joseph, Missouri, 30 cents.
words, these privately owned plants were charging fro
times as much as the municipal plant in Milwaukee.

City Makes Big Profit Besides

In this connection, it is important to note
of the very remarkably low rate, the Milwaukee plant i
cess financially. The total revenues are now over a m
a year and the net income over and above operation, ma
depreciation, is in excess of $500,000 annually. The
the Water Works has been paid out of the earnings of t
all of the moneys raised by taxation in the early year
plant was self-sustaining, have been returned to the g
The plant is now turning over about $200,000 per year
city fund to help reduce taxes. The total amount tra
1919, was $2,917,965,000. (1)

Milwaukee has given a striking example of wh
can do with a municipal water plant if it sets itself
what Milwaukee has done other cities can do.

Taking a general view of the subject of the
under municipal as compared with private ownership and
the following contrasts may be cited: In Schenectady,
the city took over the plant, the family rate was $9.0
ownership reduced it to $7.00 and still there was a go
Auburn, N. Y., the family rate was reduced from $8.00
the city took over the plant. In Syracuse, the rate w
from $10.00 under private ownership to $5.00 under pub
(2)

In 1890 Mr. M. N. Baker, made a study of th
charged for water by 318 public and 430 private water
part of the United States, and he finds that the charg

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(1) The Milwaukee Municipal Water Works -Report by H.
(2) "The City for the People," by Frank Parsons, page

under private ownership averages 43 per cent higher tha
public ownership. The following table gives the resul
Mr. Baker's comparisons:

Charges for Water

Total Family Rentals (1)

State	Private	Pu
Maine	26.73	
Massachusetts	31.16	
Rhode Island	38.00	
Connecticut	25.87	
New York	29.18	
Pennsylvania	24.63	
Virginia	26.43	
West Virginia	29.00	
Georgia	34.75	
Texas	49.41	
Oregon	68.25	
Average	34.85	

Cost Seventy-One Per Cent More Under Private Ow

But the most conclusive evidence of the adv
municipal ownership in the matter of the cost of water
in the results of an investigation made by the United
missioner of Labor and published in his 14th Annual Re
"Water, Gas and Electric Light Plants." This study is
most complete and the findings therefore the most conc
that has been made and the report covered a study of a
works, both private and public in all of the States.
fore, the most comprehensive study that has ever been
as we know. According to the final findings of this
report, the average cost of water per one thousand gal
private ownership is $.1527 and under municipal owners
The average cost of water under municipal ownership, t
found by this report, was $.0535 less under municipal
than under private. In other words, water costs 71 pe
under private ownership than under municipal.

The following table shows the results of th
the Commissioner of Labor:

(1) Baker's Manual of American Water Works, 1899, quo
"The City for the People," page 120.

Average Price Per 1,000 Gallons of Water Sol

Water furnished (gals.)	Private plants No.	Private plants Average price Per 1,000 gallons of water sold	Mun No.	Mun Av Pe ga wa
Under 1 million	-	-	5	
1 million and under 5 m	5	$0.4476	35	
5 million & under 10 m.	12	.3476	35	
10 million & under 15 m	12	.2521	45	
15 " " " 20 m.	10	.2372	41	
20 " " " 25 m.	12	.2164	26	
25 " " " 50 m.	50	.1524	105	
50 " " " 75 m.	44	.1281	52	
75 " " " 100 m.	26	.1183	24	
100 " " " 125 m.	20	.0973	23	
125 " " " 150 m.	9	.1059	22	
150 " " " 175 m.	14	.0902	6	
176 " " " 200 m.	8	.0981	12	
200 " " " 250 m.	23	.0963	15	
250 " " " 500 m.	52	.0705	58	
500 " " " 750 m.	30	.0589	38	
750 " " " 1 b.	14	.0618	20	
1 billion " " 5 b.	30	.0563	78	
5 " " " 10 b.	4	.1136	6	
10 " and over	-	-	-	
Total or average	375	$ .1527	659	$

On the basis of the above figures the avera using 2,300 cubic feet of water per month would pay un ownership$31.20 per year and under municipal ownership year, only a trifle over one half as much.

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(1) 14th Annual Report of the Commissioner of Labor, 1 "Water, Gas and Electric Light Plants," page 42.

(2) In striking these averages we have omitted the fig municipal plants of over 10 billion gallons and th plants of under one billion gallons, for the reaso are no private plants with which they may be comp